



JOURNEY TO THE EDGE OF TIME

The wonder of Hubble

QUESTIONS OF SPORT: £40,000 TO BE WON

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BIANCA JAGGER AND THE KILLER

Reprieve on Death Row

Ashdown to offer Blair reform pact

Coalition plan to keep Tories out

PATRICIA WYNN DAVIES
Political Correspondent

Paddy Ashdown, the Liberal Democrat leader, is willing to join a coalition with Labour after the next election as a means of creating a long-lasting agenda for changing Britain.

Mr Ashdown will make clear in a keynote lecture next Monday that a post-election agreement to work with Labour is an option his party would be prepared to embrace. The speech marks his latest move closer to Labour following his declaration last year that he would not keep the present Conservative administration in power in the event of a hung parliament.

According to a Liberal Democrat source, Monday's lecture - directed at Mr Ashdown's own party as much as to the country at large - will build on the ground first set out by the Liberal Democrat leader in his May 1992 speech at Chard.

He said that "his party should reach out to those who might share an agenda for reform".

The arithmetic of the election result might leave Mr Ashdown with little to talk about. But co-operation from the Liberal Democrats could free a Tony Blair government from relying on Labour left-wingers, while a fruitful political partnership could ensure continuing support from the third party in a subsequent parliament.

Peter Mandelson, Labour MP for Hartlepool and a close confidant of Mr Blair, has al-

ready argued for a post-election pact with the Liberal Democrats even if Labour is elected with a majority, "to assure a longer term, stable, left-of-centre government".

The establishment of a left-of-centre coalition lasting a full parliamentary term and beyond would represent a historic sea-change in British politics.

The Liberal Democrat leader



Ashdown: Speech to outline plans after the election

is expected, in the speech to party activists in London, firmly to emphasise his party's policy of carving out a distinctive identity which differs in significant ways from Labour's, and he repeated previous challenges for Labour to set out its policies in more detail and embrace a proportional voting system for the Commons.

He will also specifically leave open the possibility of his party attempting to exert influence from the opposition benches.

A source said, however: "He will be saying to people, don't just think about polling day. We have to think about life after the election. We have to construct an agenda, the ground on which something bigger can be built. It is not just a question of keeping the Tories out. It is about ensuring that progressive parties in this country make an impact."

Support for the new Ashdown position has already come from the senior Liberal Democrat Tom McNally, one of the new peers named in the New Year's Honours list and a long-time advocate of closer links with Labour. Writing in the winter issue of the *Reformer*, the Liberal Democrat policy journal, he said: "If as seems... likely, there is an unstoppable groundswell for change then we, the Liberal Democrats, have to be part of that mood and momentum."

"I do not see it as inevitable that the role of the Liberal Democrats post-general election is either coalition partners or sleeping partners to a Blair government. Equally important neither do I rule either prospect out of court."

Mr Ashdown had "earned the right to ask the party to trust him to be a little daring," Lord McNally, a former Labour MP and political adviser to Jim Callaghan, said.

Mr Blair has conceded on several occasions that Labour is not the sole occupant of the centre-left and said that he tries not to be "tribal" in his thinking.

Politics, page 6

Branson looks for the cloud in his silver lining



CHARLES ARTHUR Marrakesh

Richard Branson was treading carefully yesterday after discovering that his plan to make the first non-stop circumnavigation of the world by balloon may have been punctured inadvertently by his hosts in Morocco.

Mr Branson (above) revealed that a Hercules aircraft belonging to King Hassan II's flight had blown gravel and grit directly into the banger housing his Virgin Global Challenger balloon when taking off, and could have put undetectable -

but catastrophic - holes in the 170-foot canopy. The dynamics of the huge helium-filled balloon, are so finely balanced that a tear just the size of a fingertip would have its lifting ability and add four days to the planned 18-day circumnavigation.

Mr Branson and the balloon's assembly team have been inspecting the thousands of square feet of high-strength silver plastic for any signs of damage. "We did find a couple of small holes," Mr Branson said. So far, no holes have turned up, though the team admits they will not be sure until the balloon is inflated. That will not be done

until all of the other preparations are complete and weather conditions are right.

There are two other clouds on Mr Branson's horizon. The first is that a rival balloonist, Henk Brink of the Netherlands, wants to beat him to the non-stop prize, and yesterday announced that he hoped to take off on Sunday.

The other problem is that every country over which the Virgin balloon will cross has so far given permission for his flight - except Morocco's closest neighbour, Algeria. But Mr Branson refuses to feel deflated for now.

Yeltsin ready to sacrifice 100 hostages

PHIL REEVES
near Pervomayskoye
HUGH POPE
Istanbul

Russian forces yesterday set out to obliterate Pervomayskoye and all its inhabitants - rebel and hostage - after two days of humiliating and public failure to capture the tiny Caucasian village.

Salvo after salvo was fired from Grad rocket launchers at the collection of wooden and mud huts where up to 250 Chechen rebels have been defying the might of the Russian army. A final onslaught is expected today. Russian officials bluntly wrote off the chances of the estimated 100 men, women and children hostages still unaccounted for.

Meanwhile, a Black Sea ferry packed with Russian trippers was lurching through stormy weather under the control of a band of heavily-armed hijackers, sympathetic to the Chechen cause. The gunmen were threatening to blow up the *Avrasya* in the Bosphorus strait with nearly 200 people on board unless the assault on Pervomayskoye was stopped. The seizure of the ageing ferry on Tuesday night at the Turkish port of Trabzon marked the first time the Chechen conflict had spread outside Russia's borders.

With the situation threatening to spiral out of control, and the authority and reputation of President Boris Yeltsin's government severely damaged at home and abroad, it was confirmed that Chechens had also seized and abducted 30 workers at an electric power plant in the Chechen capital Grozny on Tuesday.

There were growing indications of Western unease at Russian brutality yesterday, mixed with condemnation of the Chechen actions. The White House reiterated its concern; Germany urged Moscow to exercise restraint; and Baroness Chalker, Minister for Overseas Development, told the House of Lords she believed that

unnecessary brutality had been used. "The reporting to date seems to suggest that excessive force has been used in the attempt to free the hostages and indeed in the general fighting," she said. Council of Europe officials said the assault could hurt Russia's application to join the group, considered the club of European democracies.

Seeking to justify their assault on Pervomayskoye, the Russians yesterday reiterated claims that the Chechens were executing the hostages they have held for a week. "Because the situation is becoming more complicated, we have decided to conclude the operation," said Major General Alexander Mikhailov, a spokesman for the Federal Security Service, a successor to the KGB. Asked about the fate of the hostages, he said: "We have little hope for them." As many as 41 hostages were claimed to have been freed in the last two days of fighting.

In Istanbul it emerged that Mohammed Topcan, the chief hijacker on board the *Avrasya*, and his half-dozen gunmen, come from a community of Turkish citizens descended from more than a million people forced to flee the Tsarist and Soviet conquests of the Caucasus in the past century.

"We have done this in the name of unity and independence of the North Caucasus state [of 1918]," Mr Topcan said in one of many ship-to-shore telephone interviews on Turkish television shows. Last night the ferry was heading for the port of Sinop, where Mr Topcan said he might release some of the hostages.

No Britons are reported to be aboard. Estimates say there are from 100 to 150 Russians, about 40 Turkish passengers, 40 Turkish crew and a sprinkling of other former Soviet nationalities. The only casualty so far reported is a Turkish port official, wounded in the foot when he tried to oppose the hijacking.

Russians close in, page 8
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Queen will not rescue duchess

LOUISE JURY

The Queen will not help the Duchess of York who reportedly has debts of more than £1m. "These are matters which the Duchess of York must discuss and resolve with her bankers and other financial advisers", a Palace spokesman said.

"The Duchess of York's business ventures are conducted quite separately from any royal duties, and any transactions resulting from them must be resolved between the Duchess and her business associates and creditors. They are not a matter for the Queen."

The Duchess confirmed she was making "huge" cutbacks. "But the state of my financial accounts is not anybody else's business". Media reports yesterday quoted Royal sources as saying that the Duchess had an overdraft "certainly not less than £1m" at Coutts.

The Duke and Duchess separated four years ago when a £2m settlement by the Queen is thought to have included £1.4 million placed in a trust fund for their two daughters, Beatrice, seven, and Eugenie, five. Prince Andrew is believed to pay the Duchess £15,000 a year in addition to the girls' £10,000-a-year school fees.

The Duchess is said to have a staff larger than the Princess of Wales at an estimated cost of £32,000 a month.

Millennium show finds a designer but not a home

REBECCA FOWLER

The Millennium Commission has indicated it will award the prestigious contract for a grand exhibition to celebrate the arrival of the 21st century to a London design consultancy called Imagination. But it is still divided over a site for the event in a battle between Greenwich in south-east London, and Birmingham.

The nine commissioners, headed by Virginia Bottomley, the Secretary of State for National Heritage, met yesterday to compare bids. They are expected to give £200m towards the year-long exhibition, which could cost a total of £500m.

The support for Imagination, which designed the Dinosaur Gallery for the Natural History Museum and the Cadbury Fantasy Factory, a chocolate museum in Birmingham, was the first move towards a final decision. But indications that the design consultancy has been successful does not mean that its competitor, a consortium including the MAJ Group, led by Lord Hollick, and M2000 headed by Touche Ross, the management consultancy, has been completely ruled out.

Both Birmingham and Greenwich have lobbied furiously to host the event, which

is expected to attract 50 million visitors. They aim to create a celebration that will match the Great Exhibition of 1851.

The representatives of both sides said they were neck and neck yesterday. Greenwich hopes to transform a 130-acre derelict site on the river Thames, while Birmingham plans a site around the National Exhibition Centre (NEC).

But there was speculation the Greenwich site has emerged as the front runner. Since Imagination has been asked for more details on how it would use the land. It is backed by the local MP Peter Bottomley, Mrs Bottomley's husband, and its champions say London is the natural home for the celebrations, especially a site on the Meridian which is strongly symbolic.

The organisers hope to raise £50m from the Corporation of the City of London to support the event, and Michael Heseltine, the deputy prime minister, is also understood to be enthusiastic about the south-east London site.

But Birmingham has powerful support from those critics of the Lottery who claim too much money has been concentrated on the capital. Its backers say the NEC is already a functioning exhibition site able to deal with large numbers of people.

IN BRIEF

Naked car protest

A naked woman daubed with anti-car slogans reduced a cathedral service to near chaos as 1,000 people marked 100 years of the motor car. Page 3

Petrol price war

A fuel price war swept across the nation's forecourts yesterday, knocking up to 4.4p off the price of a litre of Shell four-star petrol. Page 2

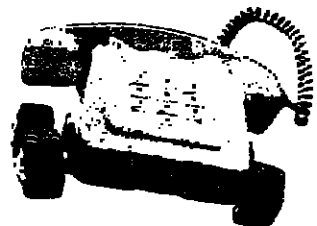
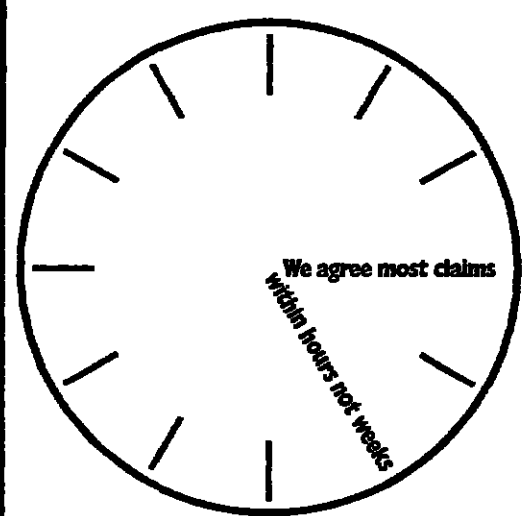


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news

Jobs at risk as Shell fuels petrol price war

MARY FAGAN
Industrial Correspondent

A petrol price war swept across the forecourts yesterday, taking up to 4.4p off a litre of Shell fuel, and provoking the abandonment of Esso's long-established Tiger Tokens. The Petrol Retailers' Association said thousands of petrol stations could go out of business, with the loss of up to 50,000 jobs.

Shell's price-cutting move underlines a growing backlash by the big oil companies against cut-throat pricing at super-market petrol stations, which now account for about a quarter of UK sales.

Individual Shell retailers will set their own prices, but the recommended price of a litre of four-star is cut from 63.9p to 59.5p; unleaded will come down from 58.9p to 56.9p, and diesel from 59.9p to 58.9p. The cuts coincided with Esso's announcement of lower prices nationwide and the scrapping of its 10-year-old Tiger Tokens gift scheme from 14 February. BP responded by saying others "are now catching up" and that it would "remain competitive and continue to undercut other quality suppliers".

According to the AA, the effect of a 3p per litre price cut would mean a fuel bill saving of about £36 a year for a motorist averaging up to 8,000 miles and £54 for those reaching 12,000 miles.

The onslaught of the super-markets has squeezed both the volumes and the margins of the oil companies. The situation has been further exacerbated by years of recession and the increase in fuel-efficient cars.

The number of outlets has already shrunk to about 17,000 from 39,000 in 1968, although this is driven partly by the growing size of individual stations. According to the PRA, the total could slump to 9,000 or 10,000 by the end of the decade.

Shell said: "We are already in a price war and it is very difficult to say how long it will last." But it added that Shell believed its customers were also attracted by quality of product

and its incentive scheme which allows customers to build up units exchangeable for gifts, entertainment and travel.

Esso's latest initiative, called Pricewatch, aims to match the lowest petrol prices on offer within a three-mile radius of its 2,100 service stations. Trials of the scheme in Scotland and the North-east have resulted in 2p to 3p off a litre, but Esso stressed that national price comparisons were "irrelevant" as its pricing would be done on a local basis to make its product "normally unbeatable".

John Adkins, Esso's UK divisional director of retail, said: "Our strategic studies show that the consumer is becoming much more sensitive to prices. People will drive three miles to get lower prices and are much more interested in price than in any promotions." He said that people in the Tiger Token scheme had until 14 February to top up their tokens before it was eliminated and then until the 6 May Bank holiday to have them redeemed.

The Petrol Retailers' Association said consumers would benefit from the price cutting in the short-term but that they could ultimately suffer as outlets closed and there was less choice. The greatest number of casualties are likely to be the smaller independent retailers which lack the financial muscle to see the battle out.

Park Road Group, which runs 10 outlets in the Tyneside area, where Esso has already been trying out Pricewatch, said that turnover had fallen by £56,000 a week over the past four months. Philip Richardson, Park Road's managing director, said: "We have been to hell and back on prices. There are going to be more losers than winners in this game."

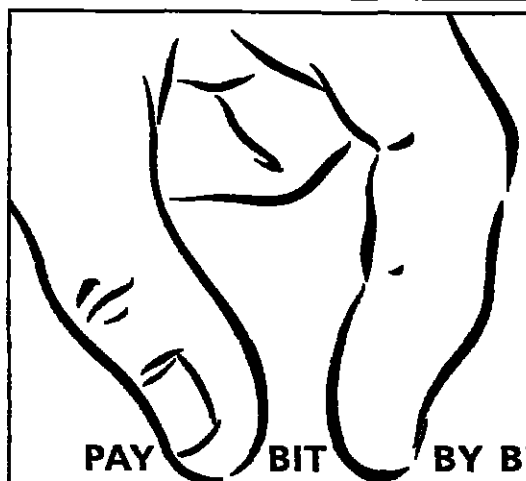
Last November, the PRA asked the Office of Fair Trading to look at the situation after allegations that Esso was selling in the test areas at below cost. But the OFT deemed the actions not to be predatory, noting the intensive competition in the industry.

Comment, page 17

Average or recommended petrol prices

	Shell	BP	Esso estimates*	Supermarkets
4 star	59.5p	61.4p	59.5p	56.1p
Unleaded	56.9p	56p	54p	49.5p
Diesel	58.9p	58p	55.5p	50p

*Esso said that pricing would be localised and that proper estimates could not be given until Pricewatch takes effect.



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Tower inferno: A plume of smoke from the blaze at the NatWest Tower in the City of London could be seen across the capital. Photograph: Jane Baker

500 workmen escape NatWest Tower blaze

JOJO MOYES
and WILL BENNETT

Five hundred workmen were evacuated yesterday when fire broke out on the top floor of the 600ft-high NatWest Tower, the City of London's tallest building, sending a huge cloud of smoke across the capital.

Firefighters, for the first time using a helicopter equipped with thermal imaging equipment to pinpoint the source of the blaze, put out the fire in a glass fibre cooling tower on the 45th floor within 40 minutes.

There were no casualties. The cause of the fire is not yet certain but it is thought that workmen restoring the tower, which was badly damaged by an IRA bomb in 1993, may have started the fire with welding equipment. John West, who was working on the floor below where the blaze started, said: "I am not surprised that the fire was as big as it was because there was a lot of rubbish on the floor where it began. Some people are saying it was a disaster waiting to happen, but fortunately no one was hurt."

The fire was the latest episode in the unhappy history of the tower, which was officially opened in 1981 and which was the headquarters of the National Westminster Bank. It suffered some damage from an IRA bomb in 1992 and was then wrecked by the huge Bishopsgate bomb the following year. Since then it has remained empty except for hundreds of workmen carrying out a £94m repair programme.

In December, the bank announced that it would not move back in when restoration is

complete and put the tower up for sale for an estimated £189m. Edward Townsend, a spokesman for the National Westminster Bank, said yesterday: "The cooling tank was destroyed but the damage was confined to the 45th floor. Restoration work will continue as usual tomorrow."

Divisional Officer David Robinson, of London Fire Brigade, said: "In terms of access, a high-rise like this can be a major problem for the brigade, but the contingency plans worked very well."

"All brigades with high-rises in their areas regularly train in the methods of tackling fires in skyscrapers and that work paid off."

Sergeant Charles Owen, a spokesman for the City of London Police, said: "Everyone inside the building has been accounted for. There was an evacuation procedure prepared for events like this which has worked successfully."

"There are no injuries that I am aware of. We do not have a cause of the fire yet, but it is not being treated as suspicious."

Missing nuclear gauge 'poses risk'

CLAIRE GARNER

The public is at risk of radiation from a nuclear gauge which was last seen on the M3 at Witley two years ago and is unlikely to be recovered, a court was told yesterday.

In the first case of its kind, the Health and Safety Executive and HM Inspectorate of Pollution told Reigate magistrates' court in Surrey how Camas

Associated Asphalt Limited, a road construction company based in Henley-on-Thames, Oxfordshire, wrongly recorded the source in the end of [the road] and held it for 10 minutes you would exceed your yearly dose."

Camas Associated Asphalt Limited pleaded guilty to breaching the Ionising Radiation Regulations Act 1985 and the Radioactive Substances Act 1993 and was ordered to pay

£26,000 and £10,500 to the HSE, explained the potential danger of the device to the public. "If you got hold of the source in the end of [the road] and held it for 10 minutes you would exceed your yearly dose."

The presiding magistrate, Professor Shelley, said: "Dangers to the public of the radiation materials involved may indeed be negligible if the equipment is correctly maintained and located. But there is now no known location of the equipment and sources may

now have been broken from the equipment and decimated into the environment."

Keith Harsham, an HMIP pollution inspector, said after the case: "A kid could easily mistake the brightly coloured device for a toy and touch it. Worst of all, it ends up in a metal scrap yard - which is likely because it has a high scrap value. There is a high probability of a fatality if it is combusted."

Adams joins peace talks

DAVID MCKITTRICK
Ireland Correspondent

Sinn Féin yesterday took part in its first tripartite round of talks with both British and Irish ministers in Belfast, as part of a series of discussions designed to lead eventually to all-party talks.

The meeting, in the Stormont estate on the outskirts of the city, is part of a network of talks which are meant to ease the two governments and the local parties towards full negotiations. It is acknowledged, however, that reaching that goal is dependent on the successful resolution of the arms decommissioning issue.

Sinn Féin president Gerry Adams said yesterday that the peace process was effectively on hold until the international body on decommissioning reports next week, and until the two governments respond to its recommendations.

The body, headed by former US senator George Mitchell, is due to meet John Major in London today for the second time. Its report is scheduled to be delivered next Wednesday.

Yesterday a Sinn Féin delegation headed by Mr Adams sat across the table from the Northern Ireland Secretary, Sir Patrick Mayhew. This provided one of the first opportunities for camera crews to film Mr Adams and Sir Patrick in the same room. Government press officers displayed sensitivity on this point and hurried camera crews from the room after less than a minute.

Sir Patrick made no comment as he left the building but the Irish Foreign Minister, Dick Spring, described the meeting as "very satisfactory". Sir Patrick repeated the Government position that some IRA weapons would have to be turned in.

Boxing damages young brains

LIZ HUNT
Health Editor

Young boxers can develop permanent brain damage early in their careers without any signs or symptoms of injury, according to an investigation following the death in the ring of a 23-year-old.

A detailed study of the young man's brain revealed long-standing brain damage, and some of the structural abnormalities common in the brains of elderly Alzheimer's patients.

Doctors at the Royal London Hospital believe this is the first report of this type of damage in a young adult brain, and their report will further the cause of the British Medical Association and other organisations which want to ban boxing.

Although elderly boxers are commonly "punch drunk", displaying the symptoms of brain damage - slurred speech, dis-

turbed balance, poor memory - neurologists did not expect to find such clear evidence of damage in a young boxer.

The man, who died from a massive brain haemorrhage, had been fighting since the age of 11 and turned professional at 19. Relatives said that he was occasionally forgetful, but showed no other symptoms. According to a report in *New Scientist*, his brain contained many "tangles" - abnormal clumps of protein which accumulate in cells and interfere with their function.

Jennian Geddes, a neuropathologist at the Royal London, said the tangles were "wrapped around blood vessels at the bases and sides of the brain, which is exactly where the brain would sustain the force of any blows to the head. This picture is typical of what we find in Alzheimer's disease or retired boxer's brains."

Maguire faces appeal over £13,500 award

DAVID MCKITTRICK
Ireland correspondent

Government lawyers were last night considering legal moves to overturn the £13,500 compensation award to the convicted IRA terrorist Donna Maguire for an ankle injury.

A political and media storm over the award erupted yesterday. Conservative and Ulster Unionist MPs said the award by a Belfast judge had resulted in a convicted IRA terrorist receiving more for an ankle injury than had the relatives of some of those killed by the IRA.

Colin Parry, who received £7,500 after his 12-year-old son Tim was killed in the 1993 Warrington bombing, called for a review of the compensation system. He said: "It's a kick in the teeth. Every time these judgments come along, it reminds us how little society appears to value a child's life."

Maguire was convicted in 1995 by a German court of the attempted murder of British soldiers in an IRA attack. She was given a nine-year jail sentence, but was immediately released by a German judge because she had been held in

prison for six years while awaiting trial on a number of charges, including murder, in Belgium, Holland and Germany.

Photographs showing Maguire as a dark attractive woman have led to a flood of publicity concentrating on her over the years, in effect turning her into something of a national figure and a symbol of republicanism. She has attracted headlines such as "IRA's top gun girl".

The compensation award arose from a 1985 incident in Maguire's home town of Newry, Co Down in which she said she fell after her foot was trapped

in a broken paving stone. She told the court: "I have had to give up dancing, jogging and swimming because the ankle swells up. I can't wear high heels and the ankle is not very stable when I walk on rough ground or gravel." Her ankle is said to be scarred and swollen.

Tory MP David Wilshire described the award as shocking and obscene and called for a change in the law. Ulster Unionist MP Ken Maginnis said it was a disgrace. Tripping claims cost the Northern Ireland authorities in excess of £6m a year.

IN BRIEF

Celine Figard's body flown home

The body of the French student, Celine Figard, 19, who was found naked and strangled 10 days after accepting a lift with a lorry driver, was flown home yesterday.

As plans were made for her funeral in Fernieres on Saturday, her father appealed to the public to stay away from the ceremony, and not to send any flowers. Bernard Figard, who last week visited the spot where his daughter was found in a lay-by near Worcester, expressed thanks for the English public's response, but said the family wanted it to be a private affair.

West Mercia Police said yesterday that it would take several weeks to complete their planned DNA testing of 1,200 lorry drivers all over Britain.

Scargill wins agent

A Labour MP's agent has defected to Arthur Scargill's new Socialist Labour Party. Denis McDonald, 48, had been agent to Sunderland North MP William Etherington since before the 1992 election. Mr Etherington, a member of the left-wing Campaign Group of MPs, said Mr McDonald had become disenchanted over the rewriting of Clause IV and the party's lack of commitment to public ownership.

Poisoned pleasure

A woman who sued the former landlords of the Queen's Head pub in Stradbroke, Suffolk, where she contracted lead poisoning by drinking cider regularly from a painted earthenware mug settled her damages action against Mary and Fred Farrow for £55,000. Marian Bloom, 41, collapsed in a coma in December 1987, with 10 times the normal amount of lead in her body.

West appeal

Rosemary West's application for leave to appeal against her conviction on 10 charges of murder will be heard by the full Court of Appeal instead of a single High Court judge in March because the case has attracted such public interest.

Watcher's death

Six youths have been arrested in connection with a stolen car found next to the body of a Neighbourhood Watch leader in West Bromwich, Birmingham. Police said the six, aged between 16 and 22, were being questioned about a number of stolen vehicles but in particular about a beige Ford Fiesta found on the playing fields where Alan Whitehouse, 41, was found stabbed to death last Saturday.

Stabbing inquiry

A man was detained for questioning by police in connection with the death of a woman and the disappearance of her daughter. After June Jones was found dead with stab wounds stabbed at her home in Aldershot, Hampshire, on Tuesday, police launched a search for her daughter, Lorraine Binnion, who was found in Plymouth.

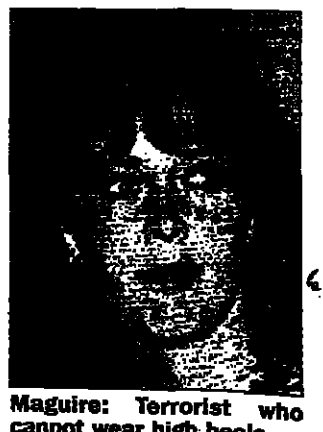
Illegal bird traps

After magistrates in Norwich fined gamekeeper David Milligan, 42, £1,500 after he admitted setting illegal traps for birds of prey around the Kimberley Hall Estate in Norfolk, officials from the Royal Society for the Protection of Birds warned that the law was being regularly flouted because of the widespread view among landowners and gamekeepers that birds of prey were vermin.

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Maguire: Terrorist who cannot wear high heels

Mistress loses vasectomy damages claim

PETER VICTOR

Family planning clinics cannot be held responsible when a married man whose vasectomy operation has reversed itself makes a mistress pregnant, two Court of Appeal judges ruled yesterday.

Lord Justice Peter Gibson said the British Pregnancy Advisory Service had no duty of care or responsibility to di-

voiced teacher Alison Goodwill when they gave advice to Ross MacKinnay, who was still living with his wife and children.

"At that time they had no knowledge of her, she was not an existing sexual partner of Mr MacKinnay but was merely, like any other woman in the world, a potential future sexual partner of his, that is to say a member of an indeterminately large class of females who might

have sexual relations with Mr MacKinnay during his lifetime."

Lord Justice Thorpe warned that any woman starting a sexual relationship has a duty to protect herself against unwanted pregnancy and to take independent advice on whatever facts her lover tells her. He added: "A woman exploring the development of a sexual relationship with a new partner takes much on trust before ex-

perience corroborates or exposes his assurances."

They threw out a damages claim against the BPAS by Mrs Goodwill, now 48, of Oxford, and allowed an appeal by the clinic against the refusal of Oxford Crown Court in March last year to dismiss the claim as being "frivolous or vexatious".

Cherie Booth QC, representing Mrs Goodwill, had told the judges that the BPAS

arranged a vasectomy for Mr MacKinnay in 1984. The service informed him three months later that semen samples were negative and that he no longer needed to use any other form of contraception.

In March 1988, Mrs Goodwill began a relationship with Mr MacKinnay, who told her of his operation. She had her coil removed in May that year, but neither knew that the vasectomy

underwent a spontaneous reversal. A year later she became pregnant, but by the time she realised, it was too late for an abortion and she gave birth to a daughter on 5 November 1989.

Miss Goodwill claimed that the BPAS was negligent because it failed to warn Mr MacKinnay that a future sexual partner could be made pregnant if the vasectomy reversed itself. She

claimed she suffered loss and damage because of the cost of the birth, her daughter's upbringing and loss of income.

Miss Booth argued that a doctor performing a vasectomy owed a duty of care not only to the current person's partner but also to any other with which the man had sexual relations.

But Lord Justice Gibson ruled: "The doctor who performs a vasectomy on a man on

his instructions cannot realistically be described as employed to confer a benefit on the man's sexual partners in the form of avoiding pregnancy."

He added: "The doctor is concerned only with the man, his patient, and possibly that man's wife or partner if the doctor intends her to receive and she receives advice from the doctor in relation to the vasectomy and the subsequent tests."

Trendsetting queen: The woman who put sex and orgasms into women's magazines, encouraging a have-it-all culture, is giving up her crown

Original 'Cosmo' girl calls it a day

MARY BRAID

Helen Gurley Brown, the founder of *Cosmopolitan* and the woman who will be forever remembered for putting the orgasm into women's magazines, is finally to retire.

Ms Brown, 73, brought the have-it-all *Cosmo* girl—with her shockingly strident sexual and career demands—to London in 1972, seven years after she took over and resurrected the ailing *Cosmopolitan* title in New York.

With a revolutionary but hardly complicated mix of sex, sex and more sex she shattered forever the knitting and recipe mould that had previously dominated the market. Instead there was a series of nude male centre-folds, including Vidal Sassoon and Paul de Feu, Germaine Greer's former husband, and ground-breaking cover page headlines like "Who Me? VD", which led to an advertisement ban on the London Underground.

Her simple and timely formula, was eventually adopted by *Cosmo* staff in 34 countries and became *de rigueur* for a host of British magazine which followed in *Cosmo*'s steps.

Today many would see Ms Gurley Brown—X-ray thin, with tight uplifted face, false eyelashes and an enduring attachment to red mini skirts—as a curious advertisement for female power or feminism. Ms Gurley Brown, who insists she still epitomises the *Cosmo* girl, is seen by some as the setter of a trend which has since made magazines sex obsessed to the point of obscenity and the exclusion of all other subjects.

But yesterday British magazine editors lined up to praise the woman they say revolutionised magazines and women's self-image and the way men saw them.

They argue it is hard to fully appreciate the impact Ms Gurley Brown made more than two decades ago.

The endless orgasm articles seem unremarkable today. But Deidre McSharry, an early editor of *Vogue*, said yesterday: "When *Cosmo* started lots of people did not know how to pronounce orgasm."

Jane Proctor, editor of *Tatler*, remembers the power of initial impact. On the day it launched it sold 365,000 copies and was sold on the top shelf because some newsmagazines thought it belonged with the soft porn.

"I was 16 and at school in Harley Street and my friends and I thought it was fab," she said. "Orgasms—we had never seen stuff like that before. The end of the 1960s was permissive for the Marianne Faithfulls of



The changing face of 'Cosmo' girl: Covers of, from left, October 1937, February 1968, June 1971, January 1996

this world. What *Cosmo* did was to take the revolution beyond the London elite."

Ms Proctor's other recollection of *Cosmo*, illustrating how hard it played the sex card, involved a search for a 92lb penis puffed as an article on the magazine front. As a junior, she and two senior executives at *Tatler* scoured the magazine or ages looking for the article.

They found it in a story on whales near the back. "Before *Cosmo*, sex never entered into magazines," said Sally O'Sullivan, editor-in-chief of *Ideal Home*. "It became the backbone of *Cosmo*. I wouldn't necessarily call her a feminist but she was so pro-women. She began a process which is still continuing. The idea that women gain self confidence and be able to decide the direction of their lives."

Important though the new sexual openness was, the intimate relationship between reader and magazine opened up

a new genre in publishing, she said.

At *Cosmo* Mandi Norwood, the new editor and a fan of Ms Gurley Brown, argues that *Cosmo* girl is essentially the same as the one dreamed up by the magazine's founder. She says the go-for-it *Cosmo* girl was born out of Ms Gurley Brown's personal experience.

The little girl from Little Rock, Arkansas, in the tradition of the American dream, slaved for years as a secretary and worked her way up, becoming a copywriter and novelist before—at the then matronly age of 37—marrying David Brown, one of Hollywood's most successful producers.

She was 41 when the giant publishing house Hearst gave her the *Cosmo* title. She first aired her idea of modern womanhood in 1962 in her book, *Sex and the Single Girl*, which dared to suggest that single women could not only have sex—and even insist upon

it—but anything less carnal they set their sights on.

Sally O'Sullivan said: "Have-it-all has moved on from the original *Cosmo* girl. Women are now intrinsically tied up in balancing family and career."

But Ms Norwood said the message was still that you had to have confidence and live your life the way you wanted to. "The original *Cosmo* girl, like Ms Gurley Brown, did not have children. Ms Norwood has one and another on the way. Despite the modern focus on the strains between home and career Ms Norwood maintains *Cosmo* women can still have it all. "It not about sacrifice and compromise but prioritising." She says that talk about compromising career for children, or sex life for career is too negative.

Ms Gurley Brown she says is an inspiration. "She came in a couple of months ago wearing a navy body and a mini skirt. She had amazing breasts and a fantastic body."

Image maker: Helen Gurley Brown, founder of *Cosmopolitan*, who started a trend that has been copied by a host of other women's magazines

Photograph: Colorific

Spirit of Godiva rides again as cathedral celebrates cars

CHRISTIAN WOLMAR

Transport Correspondent

A naked woman, daubed with anti-car slogans and sporting a furry hat, reduced a cathedral service to near-chaos yesterday as 1,000 people marked 100 years of the motor car.

The 28-year-old woman was dragged away, police and stewards struggling to cover her, shouting: "The motor car is a killing machine. You are killing each other and you are killing the next generation."

Clergy were too stunned to move as the woman, who goes by the name of "Angel", tried to shackle herself to the pulpit as Prince Michael of Kent sat, with other car worshippers, rooted to their pews.

Emulating Lady Godiva, the 11th-century English countess who rode naked through the streets of Coventry on a horse

in support of tax cuts, she threw off her coat and cried: "In the spirit of Lady Godiva, I am here to mourn the death of my mother and the 17 million people killed directly by the motor car and to remember the mothers who have lost their children, the orphaned children, our brothers, sisters, fathers and friends. Mother Earth forgive us."

Angel, from Glastonbury, said her mother was killed in a car accident. She read out virtually her whole alternative litany haranguing the car industry before she was led out of the cathedral by police officers.

About 100 protesters, spearheaded by Angel, managed to hijack what should have been a celebration of Coventry's historic links with the motor car. A collection of classic cars such as a Jaguar E type and a Hillman Imp was overshadowed by the protest.

Joanne Browning, whose baby daughter Alice was killed while travelling in the back of a car, said: "Why are they celebrating a machine in church? Are they going to have another ceremony for the washing machine? The car industry is totally irresponsible as it builds faster and faster machines with a casual disregard for safety."

The start of the service misfired when smoke from the 1997 Coventry Deimler driven down the aisle to launch proceedings all but choked the car worshippers.

When the service did get started, it was obvious that the church authorities had already realised that in this age of collective anger about the pollution and carnage caused by the car, they could not celebrate it simply as an unequivocal benefit to humanity. So the Provost, the Very Rev John Petty, started off

with what was pretty much an apology for the blessed vehicle, asking God's forgiveness for the "environmental pollution from exhaust fumes, the relentless encroachment of new roads into our countryside and the appalling toll of death and injury."

The assembled captains of the motor industry clearly bristled at this speech but were more taken aback when, in the nature of an officially sanctioned protest, Coventry University students put on a short play. Making music by banging an assortment of car parts together, they sang "the car has another dimension I'm almost too modest to mention, it's a boudoir for lovers who smooch on the covers and sometimes destroy the suspension."

The industrialists were finally let out after an hour and a half only to be booed by the protesters outside.

Fears grow for abducted girl, 5

JASON BENNETTO

Crime Correspondent

Hopes of finding alive a five-year-old girl who was taken from her bed in the early hours of Sunday were fading last night.

Rosemary McCann was probably abducted while her mother visited neighbours in Oldham, Greater Manchester, police believe. Detective Superintendent Ron Gaffey, who is leading the hunt for the girl, said yesterday that the situation was very serious. "She is only five years old and if she is on her own somewhere the chances are getting slimmer by the minute. Time is important in this case. I am extremely concerned and that concern is increasing by the hour."

Andrew Pountney, 31, a disc jockey, of Kew Road, Oldham, was remanded in custody yesterday when he appeared before magistrates accused of abducting Rosemary. Mr Pountney, a friend of Rosemary's mother,

will reappear in court tomorrow. He made no application for bail and is expected to be questioned again about the girl's whereabouts while in custody.

Meanwhile mountain rescue teams, police divers and British transport police helped search houses, woodlands, railway tracks, and open water close to Rosemary's home.

Mr Gaffey said possible sightings, including some from other parts of the country, were being followed up. Shortly after her disappearance a motorist told police he had given a man and a girl answering Rosemary's description a lift to a housing estate in Oldham.

Police have still not ruled out the possibility that Rosemary could be held or locked up somewhere in the area.

"She could be imprisoned somewhere on her own," Mr Gaffey told a news conference. "She could be dead, but we hope that is not the case and we still hope to find her safe and well."

Lyceum goes to Lloyd Webber

JOHN MCKIE

Sir Andrew Lloyd Webber yesterday announced plans to stage a revival of *Jesus Christ Superstar* in the theatre that the troubled Royal Opera House rejected. It will be the first show at London's Lyceum Theatre since 1939.

Apollo Leisure, which is renovating the Lyceum in time for the show's November opening, had offered the theatre as a possible home for the ROH, which has still to find accommodation for two seasons from autumn 1997 while its Covent Garden base is refurbished.

The Royal Opera House turned down the Lyceum last November, pinning its hopes on a theatre at Lower Bridge which is still to be built. The ROH, which has faced staff picketing over imminent redundancies as well as adverse reaction to Tuesday's BBC2 documentary, has still to find a suitable partner for the venture.

Adrian Leggett, an Apollo director, said: "We were 99.9 per cent on the way with discussions with the Royal Opera House when they decided they wanted to go elsewhere. Sir Andrew had been pressing us for two months but we waited until the ROH said no."

Keith Cooper, the ROH head of public affairs, said that the auditorium was too small for certain productions and added: "The overall equation didn't add up. We weren't able to deliver the same number of performances because of the facilities."

Sir Andrew said that he was now "a bit pessimistic" about his original plan to build a new musical theatre on London's South Bank, with the possible intention of housing ROH productions from 1997-99. *Jesus Christ Superstar*, last staged in London in 1980, is the seventh musical that Sir Andrew plans to open in Britain this year, a record number for the composer.

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news

ITC 'illegally awarded' Channel 5 licence

MARIANNE MACDONALD
Media Correspondent

The Independent Television Commission illegally awarded the Channel 5 licence to a consortium which did not have enough money, the High Court in London was told yesterday.

The allegation came in a dramatic opening to the judicial review of the ITC's decision to award the hotly contested li-

cence to Channel 5 Broadcasting last October. It failed two other bidders on quality grounds - UKTV and Virgin TV - and New Century Television because it bid only £2m, compared to Channel 5 Broadcasting's £22.002m.

Sir Patrick Neill QC, for Rupert Murdoch's New Century consortium, told the court that Channel 5 Broadcasting had agreed funding to run the chan-

nel worth only £206m - made up of shareholders' equity and a £110m bank loan facility - when its own calculations drawn up for the licence application showed that in the most difficult trading condition it would require £307m. When this became apparent, the ITC should have disallowed the bid, Sir Patrick told Lord Justice Henry and Mr Justice Turner.

Instead, it unlawfully en-

couraged Channel 5 Broadcasting to increase its available funding to £306m after the May deadline for the submission of bids. The shareholders' agreement enabling the enhanced funding was signed in September, 19 weeks after the deadline, Sir Patrick said.

The ITC members were not informed of the substantial increase although ITC rules forbid licence applications to be

changed in a manner which could be unfair to other applicants. Channel 5 Broadcasting - which was potentially considering flotation two years into the life of the period - deliberately ignored requirements to fund the worst case scenario in its submission, he added.

"At no point did the ITC as a body address the question of whether it would be unfair to the other applicants to allow en-

hancement at that date. Had the question been put, there could only have been one answer because such a dramatic change put the business plan in order when it had been in woeful disarray. They deliberately put in a business plan which didn't meet the requirement and 19 weeks later came up with a new document."

Sir Patrick spoke after the judges decided to allow sub-

missions from both UKTV and MCTV to the review brought by Virgin. Earlier, the court had heard that Virgin TV was alerted to Channel 5 Broadcasting's enhancement at a Disney launch party last October.

There Virgin TV's chief executive, Jeremy Fox, began chatting to Greg Dyke, chief executive of Pearson TV, a member of the Channel 5 Broadcasting consortium.

"He was told by Mr Dyke they had funded the application up to £200m, but had had to provide an extra £100m," Anthony Scrivenor QC, for Virgin, told the court.

Virgin alleges that Channel 5 Broadcasting's bid was improperly increased, but also that the ITC acted unreasonably by failing Virgin on quality grounds.

The hearing continues today.

Maxwell jury frustrated by further delay

JOHN WILLCOCK
and STEPHEN WARD

A chest infection delayed the Maxwell trial for the second day yesterday, as one of the 12 jurors was too ill to continue deliberations.

The jury was sent out to consider its verdict last Monday week. It has now spent 10 days in a London hotel, separated from family and friends, with just last Sunday off.

Five other jurors have also been examined by a doctor this week for chest complaints, brought on by "unhealthy conditions" in which they have to pass each day. The judge has ordered that humidifiers be put in the jury room and has advised them to take frequent walks in the fresh air.

Kevin and Ian Maxwell and the former Maxwell company director Larry Trachtenberg are accused of conspiring to defraud pensioners. All three defendants have had to appear in the court each day to hear whether the jury has yet made up its mind. The ordeal has taken a visible toll on the defendants, as well as the barristers and solicitors on both sides, and the media, all awaiting a verdict.

The juror, who fell ill on Tuesday and stayed in bed while taking antibiotics, was absent from the Old Bailey courtroom again yesterday as the other 11 members were brought in.

The trial faces a potential problem if the juror remains ill. The judge, Lord Justice Phillips, said the woman might be better today but this was not certain.

He asked them to consider the consequences of more delays. "What I would like you to do when you get back to the hotel in her company is to consider among yourselves what consequences any further delay would have to your personal lives."

Although the judge had the power to dismiss the juror from the case, he said he was reluctant to do so because she had already participated in more than 47 hours of deliberations and 121 days of evidence and summing up. "I am going to postpone my decision until tomorrow when we will see whether or not she is able to resume her duties."

Judges have evolved guidelines on how long to let a jury discuss a verdict.

Professor Mike McConville, director of the Legal Research Institute at Warwick University, said a judge has to take several factors into account. "He will be justified in allowing more time when there has been a complex case. He will also take into account the amount of public money invested in the trial."

"But there comes a point where if the jury is giving indications that it is impossible to reach agreement on charges, then it is difficult for a judge to tell them to spend more time deliberating without giving the impression that he favours a particular verdict."

"There is also a limit to the endurance of a jury, beyond which they cannot make a decision in a calm and settled atmosphere. They must be close to that now."

Long jury trials and deliberations

1981: 40-day Brixton riot trial took nine days to reach guilty verdicts but failed to agree on serious charges including one of murder.

1988: Computer fraud trial of Pacey Pottinger and Adeboy Adejao lasting six months. Jury failed to reach a verdict after nine days. Case dropped.

1990: Guinness fraud trial: after 72 days the jury took six days to find four defendants guilty.

1992: Brinks Mat bullion raid. Seven-month trial. Four men convicted by jury after seven days' deliberation.

1992: Blue Arrow fraud trial: lasted one year and four days. Jury took seven days to reach guilty verdicts on four defendants.

1992: Barlow Clowes: Unanimous verdicts on 18 counts against Peter Clowes and Peter Naylor took four days after seven-month trial.

Moment of harmony as LSO chief wins pipesmoker award



Sir Colin Davis, the internationally acclaimed conductor, yesterday became the 32nd Pipesmoker of the Year. The 68-year-old London Symphony Orchestra chief who started smoking "out of boredom" 50 years ago, was presented with

the award at the Savoy Hotel in London.

Sir Colin described his fellow pipesmokers - who number 560,000 in the UK - as "a very decent lot". He said he was "extremely happy to be the 1996 recipient of this charming hon-

our". Previous title-holders have included Sir Harold Wilson, Tony Benn and Barry Norman.

The only other musician to have been honoured in the past by the Pipesmokers Council was the flautist James Galway.

The secretary of the council,

Michael Butler, said: "We have been trying for a number of years to book Sir Colin for this award. Apart from his obvious qualities, this is the first time we have selected a Pipesmoker of the Year who knits superb sweaters and has a pet iguana."

The new Pipesmoker of the Year, at present principal conductor of the LSO and widely respected for both his opera and symphonic work, added: "It's a very relaxing custom, some of my best friends are pipe smokers."

Photograph: Edward Sykes

Nurses' numbers down 50,000 in five years

LIZ HUNT
Health Editor

The number of "front-line" staff on hospital wards fell by 13 per cent, or about 50,000, in the five years to 1994, as the number of managers increased by 400 per cent, or more than 18,300, according to figures released yesterday.

Cuts in the number of nurses and midwives varied from 5 per cent in the South West to

22 per cent in Merse, and North West Thames. The number of nurses in training fell by more than 19,000, almost a third, in the same period.

The nurse/manager ratio highlights the dramatic change of emphasis in the health service, Labour said yesterday. In North West Thames there were 297 nurses for every manager in 1989 but 19 in 1994. In North East Thames, the ratio was 61 nurses for every manager in

1989, and 13 in 1994. Labour claimed a "massive slump" in front line NHS staff and said the figures reinforced reports by the British Medical Association of severe staff shortages.

The Royal College of Nursing said the figures reflected their own findings, and that senior nurses in particular were being swept up in "indiscriminate purges".

Earlier this week, paediatricians reported a crisis in inten-

sive care units, with dangerously sick children, some with meningitis, being turned away because of bed shortages. Although some hospitals have been told they can open new beds to cope with the meningitis scare, shortages of specialist nurses prevents them from doing so.

Henry McLeish, Labour's spokesman on health, said that every day there were "10 more senior managers and 30 fewer nurses". The increase in man-

agers varied from 1,100 per cent in North West Thames to 180 per cent in South Western region. Mr McLeish accused the Government of "systematically" covering up the crisis by changing the way figures are compiled.

Gerald Malone, Minister for Health, said there were 34,000 more nurses in the health service than in 1979, while the increase in managers was due to a reclassification of certain jobs.

Creditors slap writs on abandoned Saudi jet

JOJO MOYES

It is not the usual abandoned vehicle, although there are a couple of notices slapped on to its windscreen and a search is under way for its owners. This one is accruing parking fines of £8,000 a month.

Unlike the usual burnt-out Escort, the Saudi luxury jet impounded at Kent International Airport (KIA) in Manston has two bedrooms, a fine bath-

room and £2m worth of fittings. Creditors were yesterday attempting to trace the owners of the £1.5m Boeing 707 whose crew vanished leaving a trail of debts after landing in September. Fifteen creditors have taped writs to the door demanding about £100,000. A High Court warrant dated 10 January says the plane has been seized by the Sheriff of Kent and must not be moved without his permission.

The commercial manager at

KIA, David Hedges, said: "We are owed about £12,000. That covers landing fees, storage and various other services. We are not the only business trying to get our money from a company called Al Wizar."

"Normally the crew of this jet - which is basically someone's plaything - flies in, carries out its business and pays in either cash or travellers' cheques... then flies off. But this time, for some reason, the crew has not bothered

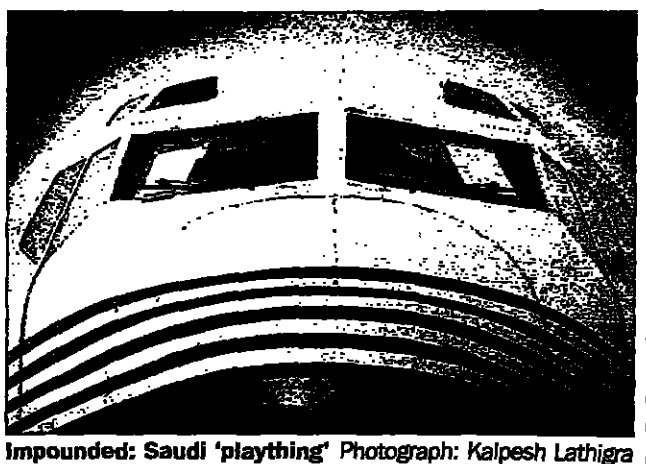
to come back. It's very mysterious." He said the aircraft would be sold if the bills were not paid.

Even if the owners ignored the writs, they could not sneak back and fly off - KIA has removed some take-off equipment.

At Heathrow, staff could only remember one recent case in which an aircraft was impounded. According to the head of one airport, who did not wish to be named, the case of the abandoned Boeing was fair-

ly unusual. "The people who run these planes run the world," he said. "They're not likely to be worried about the cost."

Perhaps the owners have simply forgotten it, like the actor Richard Harris, who recently discovered from an old photograph that he owned a Rolls-Royce. A call to his accountant informed him that the car was indeed his, and had been garaged in New York since 1974 - at a cost of around £61,000.



Impounded: Saudi 'plaything' Photograph: Kalpesh Lathigra

■ A moratorium on the closure of mental health beds was demanded from both sides of the Commons yesterday. John Marshall, Tory MP for Hendon South, said the community care policy, though born out of compassion, was misguided, failing to recognise "asylums were a haven for troubled souls". He said the policy of reducing beds for the mentally ill should be reversed.

His call was echoed by Alan Milburn, Labour health spokesman, who wanted a halt to acute bed closures. He said there was a danger that care in the community would cease to command public confidence unless urgent action was taken.

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Ex-directors of Iran arms firm leave MPs puzzled

CHRIS BLACKHURST
Westminster Correspondent

Two contradictory versions were given to MPs yesterday of the knowledge among directors at BMARC, the Lincolnshire weapons-maker, about the export of weapons to Iran in defiance of a government embargo.

Virtually every claim made to the Commons Trade and Industry Select Committee by Maj-Gen Donald Isles, a former BMARC director, was subsequently rejected by John Anderson, his one-time colleague, prompting MPs to ask who was telling the truth.

With Maj-Gen Isles siding with a fellow former director and witness, William McNaught, and Mr Anderson agreeing with Gerald James, the company's former chairman, who claims it was common knowledge internally that the guns were bound for Iran, the MPs' inquiry runs the risk of coming down to one group's word against the other.

The committee's difficulty has been exacerbated by the lack of documentary evidence that can be checked. Mr James and Mr Anderson maintain that all their papers have been seized by Ministry of Defence police and not returned.

Mr Anderson said senior staff were so concerned at the prospect of their naval guns covertly going to Iran that they closed down the special office dealing with the order concerned. The committee, which is investigating the supply of guns to Iran by BMARC, was told by Mr Anderson, a former director of Astra, its parent

company, that a photograph in a defence magazine and rumours among staff, prompted the closure.

Codenamed Project Lisi, the order was ostensibly to Singapore. Jonathan Aitken, the former Chief Secretary to the Treasury who was on the BMARC board as a non-executive director, has denied knowing its final destination.

Earlier, MPs heard that another senior Conservative politician, Douglas Hogg, the present Minister of Agriculture, was also involved with the company, frequently acting as a go-between with the Government on export licensing problems.

Maj-Gen Isles said Mr Hogg, as BMARC's constituency MP in Grantham, was used to sound out the attitude of the authorities to possible orders.

Following Astra's purchase of BMARC from the Swiss company, Oerlikon, Mr Anderson was sent to Lincolnshire to smooth relations between staff and their new owners. He checked with Maj-Gen Isles, about Lisi. "When I was in Grantham I heard rumours that Iran was the ultimate end user which I mentioned to General Isles. He assured me this was not so and that everything was okay," he said.

Then, a sales engineer produced a clipping from an American defence journal showing the BMARC 20mm gun aboard an Iranian ship. The upshot of the picture and the rumours was the closure of the special Lisi office at BMARC.

MPs were told by Maj-Gen Isles that no such Lisi office existed.

Badly fitted raft 'cost crew's lives'

A wrongly fitted life-raft, which could have saved the lives of the six crew of a lost trawler, still worked when the wreck was salvaged two-and-a-half years later, a court heard yesterday.

Five men and a woman drowned when the 100-ton scalloper *Pescado* sank in seconds in 240ft of water 13 miles off Cornwall after sailing from Falmouth on 25 February 1991.

According to regulations, the vessel should have had two life rafts on board - but there was only one, lashed to railings above the crew's quarters, the prosecutor Francis Gilbert QC told Bristol Crown Court.

It should have been fitted to a regulation cradle, which would have allowed the 10-man raft to release automatically, float to the surface and inflate during a sinking.

The covered raft would have been available to the crew had it been properly fitted, he told the jury.

Fitting of the life-raft, made in the 1970s, was supervised by Joseph O'Connor, 44, who, with Alan Ayres, 56, has

pleaded not guilty to six charges of manslaughter arising from the death of the crew.

Mr O'Connor and Mr Ayres were respectively managing agents and director of the company which owned the *Pescado*, Guideday Limited.

While he was skippering and managing the vessel, Mr O'Connor allowed the raft to remain on it, Mr Gilbert said on the second day of the trial.

Mr O'Connor supplied the life raft to the *Pescado* after a crew member complained there was none on board. He took the moss-covered raft from his garden and lashed it to the *Pescado*'s rails. Tied on in that way, its automatic release mechanism was unable to work, the jury heard.

The jury watched police video footage of the life-raft being taken from the salvaged wreck in September 1993, and inflated. Some of the crew would have survived if the required safety equipment had been available to them, said Mr Gilbert yesterday.

The trial continues on Monday.

DAILY POEM

On Wenlock Edge

By A E Housman

On Wenlock Edge the wood's in trouble:
His forest fleece the Wrekin heaves;
The gale, it plies the saplings double,
And thick on Severn snow the leaves.

'Twould blow like this through holt and hanger
When Uricorn the city stood:
Tis the old wind in the old anger,
But then it threshed another wood.

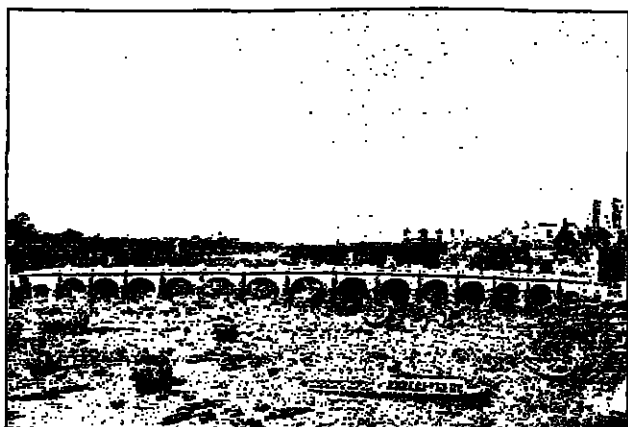
Then, 'twas before my time, the Roman
As yonder leaving hill would stare:
The blood that warms an English yeoman,
The thoughts that hurt him, they were there.

There, like the wind through woods in riot,
Through him the gale of life blew high;
The tree of man was never quiet;
Then 'twas the Roman, now 'tis I.

The gale, it plies the saplings double,
It blows so hard, 'twill soon be gone:
To-day the Roman and his trouble
Are ashes under Uricorn.

This year marks the centenary of the publication of Housman's *A Shropshire Lad*, his cycle of 63 poems, part evocation of rural England, part pastoral idyll of a mythical "land of lost content" where descriptions of real places are inseparable from Housman's internal emotional landscape. Throughout the year, there will be readings, concerts, recitals, tours and lectures, promoted and co-ordinated by the Housman Society, the highlight of which is the Ludlow Festival from 23 June to 7 July, at which Seamus Heaney will read from his own and Housman's poetry and there will be a recital of Somervell's musical version of *A Shropshire Lad* by Thomas Allen. Box office information is available on 01527 872422.

City pageant to revive historic Thames



COLIN BROWN
Chief Political Correspondent

The revival of the Lord Mayor's Show on the river Thames is being planned as a spectacular event in London to usher in the millennium.

The floating show of colourful barges, portrayed by Canaletto, last took to the river in 1856, but plans are quietly being laid by the Government and the City of London for it to be revived in 1999.

John Gummer, Secretary of State for the Environment, is backing the idea, which he hopes will lead to a revival of private river traffic on the Thames to recreate some of the life on the river when it was portrayed bobbing with boats.

Launching the Lord Mayor's Show on the river was suggested by Dominic Reid, the Pageantmaster, who is responsible for organising the annual

show through the City. "We are in the process of planning something which is going to be quite wonderful if it comes off. It will be magnificent because the City has 1,000 years of history upon which to reflect and it can also look forward," he said. Mr Reid is not trying to recreate the picture painted by Canaletto, however. It will feature modern craft, with extravagant floating sculptures, but it will be safer than it used to be.

The competition on the river between the lively companies was so great that in 1453 someone was killed in a clash between the Skinners and the Merchant Taylors, who were officially supposed to take the order of six and seven in the procession. They were said to have been at "sixes and sevens".

"It used to be fairly chaotic in a lot of ways. Barges were fairly common and they were quite spectacular. There were



Time's tide: The Canaletto (top left) and the Thames yesterday, seen from the same spot. Photograph: Edward Sykes

state barges with 18 oars and all the lively companies had barges with 12 oars," Mr Reid said.

The purpose of the procession, for which records go back to 1422, is to allow the Lord Mayor to swear an oath of allegiance to the Crown. The ceremony used to be held at Westminster, involving a flotilla from the City to Westminster Steps, before being moved to

the Law Courts. It was moved to dry land because the narrowing of the river to make the Victoria Embankment made it more difficult for the oarsmen to row against the tide. Mr

Gummer is looking at ways of reopening the river to more access, a step which can be taken because of the protection from flooding offered by the Thames Barrier at Woolwich.

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politics

Labour boost for employee share schemes

DONALD MACINTYRE
Political Editor

Labour will today project itself as the party of wider share ownership, in a daring attempt to outflank the Government in the debate over the "stakeholder economy" unveiled by the party's leader, Tony Blair.

In a keynote speech, Alistair Darling, the party's City spokesman, will unveil moves to encourage employee share ownership, and will argue that, contrary to popular belief, individual share ownership has declined under Tory rule.

The latest attempt by the party to redefine its attitude to private shareholding came as the leadership disassociated itself from unwelcome trade union suggestions that "stakeholding" would require fresh legislation on workers' rights.

The Tory high command seized on remarks by John Edmonds, general secretary of the GMB union, in which he said workers needed new rights to deal with insecurity, the ease with which they can be sacked, and their lack of information about company policy.

Mr Edmonds had said on BBC Radio: "There will be even more need under a stakeholder economy for trade union support, to ensure those individual rights are properly implemented."

But Brian Mawhinney, the Tory chairman, said Mr Edmonds' remarks, and an earlier newspaper article by John Monks, general secretary of the TUC, emphasising the unions' role as "stakeholders", showed that Mr Blair was seeking to turn the clock back to union control.

While Mr Monks insisted that a stakeholder economy did not mean a return to the 1970s, Dr Mawhinney said Labour's new theme amounted to a deal under which Labour's old friends in the trade union movement would get back all the power and privileges they abused in the 1970s.

"You cannot be serious about a stakeholding economy if you remain tied to the unions."

In his article, Mr Monks stressed unions were committed to securing economic success.

Mr Darling, who yesterday dismissed the idea that the

stakeholder concept implied a fresh raft of legislation, will insist that one key element would be the role employee share ownership can play in motivating the workforce. He will argue that the proportion of shares held by individuals decreased from 20 per cent in 1981 to 18 per cent in 1993. He will say Labour envisages a world in which employee share ownership will be seen as "not an optional extra, not as something unusual but as the norm in our dynamic economy".

Yesterday Mr Darling declared: "All history shows if you pass rules and regulations to try and force someone to change their culture, it doesn't work."

"You have to convince people that the only way they are going to succeed is firstly by ensuring that everybody who works for a company, from the boardroom to the shopfloor, feels involved in making that company successful."

Kenneth Clarke, the Chancellor, attacked the Labour initiative as "empty flannel". He said: "It is devoid of any sensible meaning."

Semi-detached rebel: Sir Richard Body 'temporarily' accepts Government whip



Thin blue line: Sir Richard Body leaving Downing Street yesterday after increasing the Tory majority to five

Photograph: Peter Macdarmid

Whitehall farce as Tory returns to fold

COLIN BROWN

There was no white coat, but distinct signs of flapping within the Government last night over the restoration of the whip to the Tory Euro-rebel Sir Richard Body.

The veteran MP for Holland with Boston caused confusion and a set-back for John Major after saying he had accepted the whip "temporarily" and could resign again if he is not satisfied with assurances about European fishing policy.

Sir Richard yesterday was officially welcomed back to the fold at a lunch at 12 Downing Street by Alastair Goodlad, the Government chief whip.

Mr Major, who once said he heard "the flapping of white coats" every time he heard Sir Richard's name, diplomatically stayed two doors away in No 10.

Mr Goodlad later issued a statement saying Sir Richard was "in receipt of the whip". The whips breathed a sigh of relief that the Government's water-thin majority had been increased. "We now are five," said one.

Unaware of this, Sir Richard issued a statement saying that he had not taken the whip, although he promised to support the Government in votes where he could.

Five minutes later, Sir Richard, after consulting the whips' office, issued a new statement that he had "temporarily" accepted the whip.

The confusion, technically meant John Major's Commons majority yo-yoed from five to

three and back again within less than an hour.

Sir Richard made clear his continued support would depend on the legality of Government assurances about protection for British fishermen.

The "will-he-won't-he" farce left ministers exasperated and Labour jubilant at the continuing chaos in the Tory ranks. Robin Cook, Labour's foreign affairs spokesman, said it was a "personal humiliation for John Major".

Mr Cook added that despite the assurances by the Government chief whip that Sir Richard would take the Tory whip, it was clear that Sir Richard was making his support conditional on further concessions to his Euro-sceptic views.

"He is being offered the Tory whip on his own terms, not the Prime Minister's," Mr Cook said. "It is further proof of the Government's drift to the right."

Sir Richard, 65, took part in a Tory rebellion in December 1994 which defeated the Government over VAT on fuel. When Tory Euro-rebels had the whip removed as punishment, Sir Richard, who had abstained, resigned the whip in sympathy.

The whip was restored to the Euro-sceptics last year, but Sir Richard refused to return. His decision to return now was hailed as an act of reconciliation.

Tory Central Office sources, and the whips also pointed out that Sir Richard's constituency party will select its candidate on 1 February. If Sir Richard did not take the whip, he could not fight the seat for the Conservatives.

Condon warns of weapon culture

JASON BENNETTO

A gun and knife culture is emerging among gangs of youths, one of the country's most senior police officers warned yesterday.

Sir Paul Condon, the Metropolitan Police Commissioner, said action needed to be taken to stop the "frightening" development. He told the Commons Home Affairs Select Committee that the number of incidents involving knives in London had risen from 2,332 in 1993 to 2,550 last year.

He told the committee of MPs: "There's a growing willingness, particularly by young criminals, to carry knives and guns in circumstances which I find very disturbing and as a society we must do our best to counter that."

He added: "We have an increasing number of loose alliances of young people whether for street robbery, bullying or extortion and there's a growing willingness by young people to carry knives. This is what the police on the street say... I believe we must stamp on that firmly."

He went on to warn of the "emerging knife and gun culture" among young people.

Sir Paul said he welcomed a private member's bill which will increase the maximum penalty for carrying a knife to six months and gives greater powers of arrest. He would also support any measures to stop the advertising of knives in shops and mail order catalogues that "celebrate" the weapons or suggests they are manly to own.

On the day before the police are due to announce trials of CS spray in 18 forces, he backed the use of the incapacitant and argued that it could reduce the numbers of injuries that police and offenders receive.

He would have preferred to trial pepper sprays in London but had ruled out the devices after medical experts suggested they could be dangerous to asthmatics and pregnant women.

He said that new longer and extendable batons had made "a dramatic" difference to the number of assaults on police officers.

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Mountaineers attack 'licence' plan for Alps

STEPHEN GOODWIN

British mountaineers have condemned an attempt to introduce "licences" for people wanting to climb in the high Alps.

Sir Chris Bonington, President of the Alpine Club, said the idea of licences, proposed by Amadeo Amadeo, an Italian MEP, was "total anathema". And the plan is likely to be met with disapproval by Britain's 150,000-strong climbing community.

Climbers have a fierce attachment to the anarchic nature of their sport. While qualifications and certificates are the rule for instructors and guides, any constraints on the freedom of individuals would be regarded with horror. Sir Chris urged "climbers in every country" to do "all they can to resist" the imposition of licences.

In a written question to the European Commission, Mr Amadeo called for a series of aptitude tests for anyone wishing to "climb or explore glaciers". In effect this would cover most of the Alps above the tree line - hitting climbers, ski-mountaineers and high-level walkers.

A "European licence" would undoubtedly lead to a drastic reduction in the number of accidents, the MEP said, pointing

out that 31 people died in the first nine months of 1995 in the Italian Alps alone.

"Many tourists go climbing and often treat mountaineering as a game, setting off without proper training or equipment, thinking that they know what they are doing," he said.

So far there has only been a holding answer from Marcelino Oreja, the Spanish Commissioner for Culture, saying that information is being collected.

But the views of the mountaineers themselves have not been sought. The British Mountaineering Council only heard of the proposal by chance, when one of its 34,000 members spotted it in the European Union's official journal.

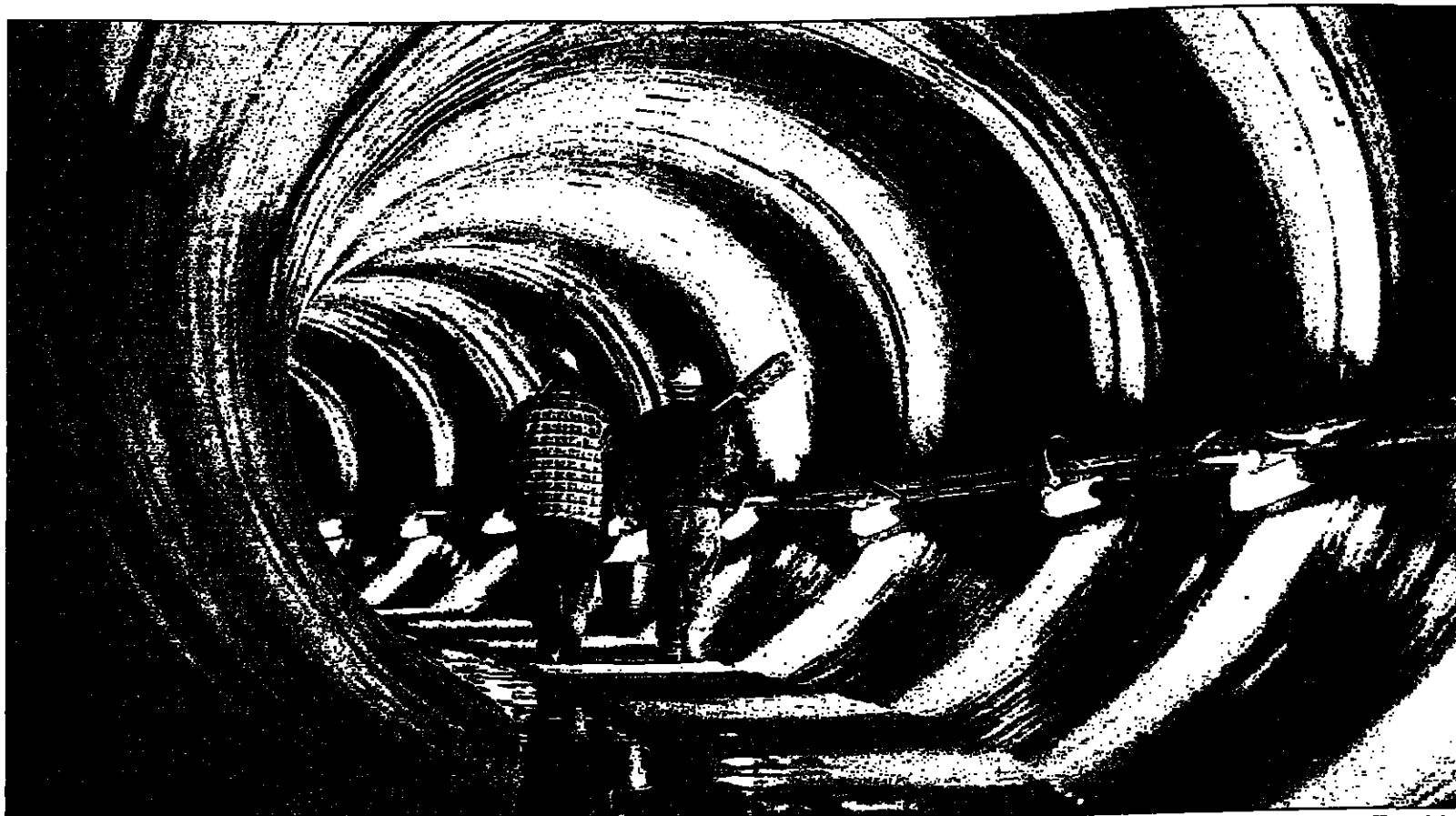
Roger Payne, the BMC general secretary, has written to the Commission expressing "extreme concern" at the idea of a licence and urging Brussels to seek the views of national mountaineering federations. He has alerted the Italian Alpine Club and the British MEP Angela Billingham, who is a member of the European Parliament sport group.

"The BMC's view is that safety in mountaineering is achieved through personal responsibility and self-reliance," Mr Payne said. "We would see

this as a terrible infringement on people's basic freedom to visit the mountains."

Last autumn, the BMC mounted a successful campaign against a proposal before the Council of Europe calling for "legally enforced" climbing bans on cliffs important for biological and landscape diversity. Strictly enforced, it would have covered most of the popular crags in Britain.

The ban was part of a Pan-European Biological and Landscape Diversity Strategy - Europe's response to the 1992 Earth Summit - but John Gummer, Secretary of State for the Environment, and other environment ministers decided further work needed to be done.



Underworld revealed: Workers cleaning up sewer tunnels at Whitley Bay, Tyne and Wear, yesterday in preparation for guided tours offered by Northumbria Water to residents who have suffered three years of disruption during a £21m upgrading of the system. Photograph: Owen Humphreys

Contract loss threatens shipyard jobs

CHRIS BLACKHURST

Westminster Correspondent

Fears are mounting for the jobs of 5,000 workers at Britain's biggest shipyard, at Barrow-in-Furness, Cumbria, following the Government's decision not to make it the prime contractor on the new "Batch Two" Trafalgar Class submarine programme.

The decision, announced just before the Parliamentary Christmas recess, has provoked real anxiety among the workforce at VSEL. Some workers have been informally briefed by junior managers to brace themselves for the worst and to try to find new jobs in the next two years.

But in a place as isolated as Barrow, that is easier said than done. Since 1990, VSEL, which is by far the largest employer in the town and in south Cumbria, has seen staffing levels plummet from 14,000 to around 5,000.

With work on the Trident

submarines due to end in the next two years, speculation is growing that VSEL could be mothballed until new orders are secured.

A delegation of local town and county political leaders and trade unions returned to Barrow yesterday after hastily arranged private talks with Lord Weinstock, head of GEC, which bought VSEL last year. They were accompanied by John Hutton, Labour MP for Barrow and Furness, who described the meeting as "constructive".

Clive Kitchen, area official of the engineering union AEEU, also met Weinstock and said there were real worries over the shipyard's short-term prospects. The awarding of the Trafalgar away from VSEL meant it faced a shortfall in new work, especially on the design side.

Even if Barrow wins the orders for the Royal Navy's new helicopter landing platform ship and the replacements for HMS Fearless and HMS Intrepid, there was still a possibly lengthy period during which no submarines or surface vessels would be built. The yard would be redoubling its efforts to secure orders for commercial vessels. "We need alternative work," Mr Kitchen said.

The contracts for the Trafalgar have gone to a consortium comprising GEC-Marconi, Rolls-Royce and AMEC. That successful bid was not as well advanced as VSEL's, and relied upon a completely different design. The GEC-Marconi plans were submitted before GEC bought VSEL.



John Hutton: Meeting with GEC head 'constructive'

Jail for mother who killed child with salt

A mother who deprived her baby of sufficient food and eventually poisoned the child by giving her huge amounts of salt was jailed for five years yesterday.

Karen Fox, 35, of Telford, Shropshire, was convicted by a Stafford Crown Court jury last October of the manslaughter of her daughter Heddwen and cruelty towards another child. Sentence was delayed for reports.

The jury heard that Fox, a mother of three, severely restricted the 21-month-old Heddwen's growth by preventing her from eating properly.

While Heddwen was receiving treatment, Fox interfered by periodically administering salt, leading to the child's death.

It was thought Fox may have been affected by "Munchausen's syndrome by proxy", a condition causing someone to inflict injury on another in order to draw attention to themselves.

Passing sentence in London yesterday, Mr Justice Keene said he had considered imposing an indeterminate life term in the light of a psychiatrist's report indicating that Fox might be a danger to the public.

"Although I am not entirely satisfied that you will not be a danger, a life sentence would not be justified," he told her.

He directed that psychiatric reports should be sent to the Home Office and the Parole Board.

AIR FRANCE

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international

Chechen siege: Reporters ordered away as Russian infantry withdraws before start of rocket bombardment to flatten village

'We have decided to finish the operation'

PHIL REEVES
Pervomayskoye

It has become a shameful piece of domestic business that the Kremlin no longer wants the world to see. For two days we watched from the sidelines as Russian artillery pounded a village held by Chechen rebels, regardless of the probability that they also were slaughtering men, women and children being held there at gun point.

For two days we watched with disbelief as the Russian military sent in its best forces, only to have them repelled by no more than 150 lightly armed fighters. Now, as the rifle-wielding soldiers gathered around us made only too clear, they wanted journalists out of the area.

We would have to move to another village, one well out of sight of the next episode in the battle of Pervomayskoye: the utter destruction of the place and all its occupants, including any hostages still alive. When governments set about killing their own, they prefer to do so away from the public's gaze.

The change in tactics was announced by Major General Alexander Mikhailov, chief spokesman of the Federal Security Service (FSB). It was clear, he announced, that the "bandits" had been killing their hostages, scores of Dagestanis unlucky enough to have been in Kizlyar last week when the Chechens stormed in and rounded them up in a hospital, later adding 37 policemen from Siberia to their number.

Moreover, he continued, the Chechens had attempted to break through Russian lines on Tuesday night, killing six soldiers and injuring 38. Front-line officers had seen the bodies of six of the Siberian policemen strung up in the village and the hostages were "practically" all

dead, a claim he made no attempt to collaborate, although he blamed the rebels for killing them all. "The decision has been taken to finish the operation," he concluded.

Three nearby Grad missile launchers that had appeared overnight a few hundred yards away, their 32 rocket tubes pointing into the heart of the village, left no doubt what "finish off" meant. But the general was willing to elaborate. "There will be massive fire. You'll see."

The Russians plan to level Pervomayskoye in an attempt to bring a swift end to a battle that is a moral defeat and a military humiliation, no matter what the outcome.

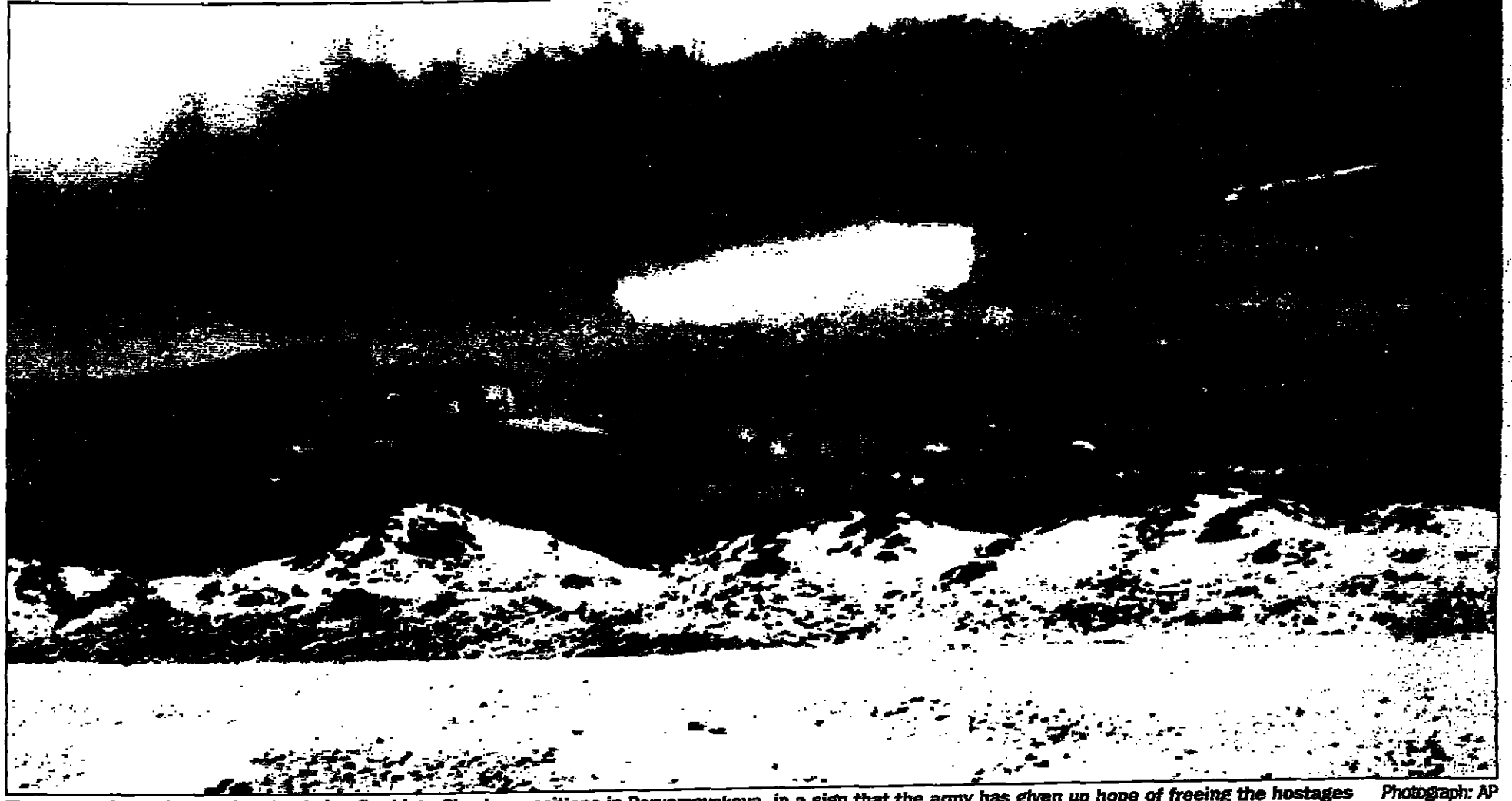
We woke yesterday to find scores of Russian infantrymen gaunt with exhaustion, many still bearing a red facial bruise caused by rifle recoil, plodding away from the battlefield and boarding a fleet of buses.

"We are all getting out and then we are going to fuck them with the Grads," said one.

Although they represented the elite of the Russian forces, professional troops from the Alpha anti-terrorist unit and the Ministry of Interior SOBR rapid-reaction force, they had been beaten back by the Chechens and their leader, Salman Raduyev. Now they were being withdrawn to allow the levelling to commence.

The Russians have supplied differing explanations as to why the cream of their forces was humbled so decisively, despite having their path cleared by prolonged artillery shelling. They have complained about Chechen snipers, their elaborate network of trenches and their speed and agility.

One SOBR commando described how he and his unit were within 20 metres of the mosque the Chechens were using as



Fire power: A Russian Grad rocket being fired into Chechen positions in Pervomayskoye, in a sign that the army has given up hope of freeing the hostages. Photograph: AP

their headquarters. Then they realised the rebels had drawn them into a trap and were starting to surround them. "Five minutes longer and it would have been too late," he said.

Yet it is hard to believe that other factors were not also at work — an unwillingness to kill their fellow countrymen, per-

haps, or a poor military command structure, or the low morale of an army which knows it is up against an enemy that is willing to die for its cause.

Last night, as darkness closed in on northern Dagestan, we waited for the "massive fire" to begin. For several hours a hush had fallen over the village, in-

terrupted only by the occasional flood of shells, like a bad tempered neighbour repeatedly slamming a heavy door.

Yet the relief that the lull in the Russian bombardment brought was overshadowed by a strong feeling that we were looking across the fields at a hideout for condemned men.

No one expects the rebels to surrender.

It was also shattered by the Russians who suddenly unleashed the Grads, five or six at a time, which made an arc across the landscape and landed with a bone-jarring thump. For the next few hours we could see them hurtling in, one

after another. This was probably not the full-scale onslaught the Russians promised. That, it seems, is yet to come.

When it does, it will cap a dismal episode for President Boris Yeltsin and Mikhail Barsukov, head of the FSB, who has run the operation here in Dagestan. Before resorting to full-scale

military action, they had a moral obligation to use every means at their disposal, from negotiations, however unlikely to succeed, to psychological warfare to settle the matter. Every shell that lands on Pervomayskoye in the next few days will be a bloody reminder they failed to do so.

Hijacked ship creeps towards Istanbul

HUGH POPE
Istanbul

The scratchy voice on the ship-to-shore telephone from the hijacked ferry *Avrasya* is that of the leader of the pro-Chechen gunmen holding more than 100 Russian tourists, seamen and traders hostage in the Black Sea.

It is also something of an echo from the bloody wars of Russia's past. Mohammed Tokcan and his half-dozen gunmen are now known to come from a disciplined and motivated community of Turkish citizens descended from more than a million people forced to flee the Tsarist and Soviet conquests of the Caucasus in the past century.

"We have done this in the name of unity and independence of the North Caucasus

state [of 1918]," Mr Tokcan said in one of many confident telephone interviews on Turkish television as the ship, seized in the port of Trabzon on Tuesday, steamed west at a steady 10 knots towards Istanbul.

Mr Tokcan has vowed to blow up the privately-owned, Turkish-registered 3,300-ton Panamanian-flag vessel in Istanbul's busy Bosphorus strait if Russian troops do not stop their assault on Chechen

hostage-takers holed up in a Dagestan village. Last night the *Avrasya* was steaming towards Sinop, where Mr Tokcan said he might release some of the hostages. Turkish officials warned of heavy seas and the dangers of *Avrasya*'s lack of fuel, but the captain and hijackers said everybody on board was well, eating and

sleeping in their cabins "as normal". If the ship has enough fuel, she is expected in Istanbul tomorrow.

The ship was seized while passengers were boarding and nobody is sure of the numbers: estimates say there are from 100 to 150 Russians, about 40 Turks, 40 Turkish crew and a sprinkling of other former Soviet nationalities. The only casualty so far reported has been a Turkish port official, slightly wounded in the foot when he initially tried to oppose the hijacking.

Mr Tokcan and his accomplices won their battle two years ago fighting in the Caucasus on the same side as the Russians. They became some of the best-known of 200 Turkish citizens who fought on the side of the mostly Muslim Abkhaz against the government of

Georgia, according to sources in Turkey's north Caucasus community.

During the fighting, Mr Tokcan, who said he was descended from Abkhaz ancestors, became close to Shamil Basayev, the celebrated Chechen warrior who planned last year's brazen hostage-raid on a Russian hospital in Budennovsk. Turkish television even broadcast pictures of Mr Basayev showing Mr Tokcan a ceremonial sword during a recent trip to Chechnya.

Mr Tokcan has hinted to interviewers by ship radio that the order to seize the *Avrasya* came from outside, perhaps Mr Basayev himself, and his demands have concentrated on helping the Chechens.

Mary Turks feel sympathy for the struggle for independence

of their fellow-Muslims in Chechnya, but the Turkish foreign ministry spokesman, Omer Akbel, condemned the hijacking as a terrorist act. "We believe the Chechen problem should be settled by peaceful means, and we support Russian territorial integrity," he said.

The hijackers have promised to let the Turkish hostages free before blowing up the ship, but have left the fate of the Russians unclear. The Turkish security chief said his men would intervene if there was actual danger of lives being lost.

Mr Akbel said Turkey's strong stance against the hijacking should reassure Russia about where its loyalties lay. Ankara has something of a love-hate relationship with Moscow, their mutual commercial interests offset by sus-

picious about each others' intentions towards the mostly Turkic-speaking Muslim minorities of the former Soviet Union.

Russian bitterness was apparent in a remark by Tatyana Samolis, spokeswoman for the Russian Foreign Intelligence Service. She told the Interfax news agency that, on more than one occasion, the service had warned Russian leaders that the Turkish authorities were "convinced with the Chechens".

She said: "One of the main responsibilities of foreign intelligence is to collect information about dangers threatening Russian security, and about the sincerity of the statements made by foreign countries in relations to Russia."

The Turkish spokesman, Mr Akbel, said: "Our long experi-



ence shows that none of these [terrorist actions] can be condoned" — speaking with more than half an eye, no doubt, on Turkey's own image problem over the bloody conflict in its mainly Kurdish south-east. Turkey yesterday showed reporters the bodies of 11 pro-government Kurdish militiamen massacred and burned on a lonely mountain road by the

Tigris river. They had been killed in an apparent ambush by the Kurdistan Workers' Party (PKK) on Monday.

Turkey has become increasingly suspicious about the PKK's blossoming presence in Moscow, as Moscow is suspicious of some Turkish relations with the rebels in the Caucasus. But they share a desire to defeat separatism.

British troops ordered to arrest war criminals

MICHAEL SHERIDAN
Diplomatic Editor

British troops in Bosnia will detain the Bosnian Serb leaders Radovan Karadzic and Ratko Mladic if the opportunity arises, the Armed Forces Minister, Nicholas Soames, confirmed yesterday.

Mr Soames said British soldiers were under orders to apprehend any of the 52 individuals sought by the United Nations international war crimes tribunal but would not seek them out. "If they bump into them at a checkpoint they will want to detain them," he said. He also reiterated that British forces would provide escorts for war crimes investigators who may want to explore the sites of suspected mass graves in Serb-controlled areas.

Mr Soames was speaking as the Ministry of Defence announced that deployment of 13,000 British service personnel would be completed on schedule by tomorrow. The warring parties are expected to fulfil their pledge to withdraw from the battlefield "confrontation lines" by the same date.

The Nato peace-keeping mission has thus reached its first 30-day deadline to the apparent satisfaction of the governments supplying troops to the 36,000-strong force. Known as I-For, The Nato peace-keepers have set up a local radio station to promote their cause and they are publishing a Serbo-Croat language newspaper — called *The Herald of Peace* — to get their message across to the population.

Mr Soames said Britain was committed to exercise a "central influence" over the resolution of the Yugoslav conflict but

would not keep its forces there beyond the planned limit of next December.

"The mission is for 12 months. We went in with the Americans. We will go out with the Americans. We remain confident that the mission will be achieved within 12 months," Mr Soames said.

But Mr Soames admitted that formidable political and military problems could lie

ahead. Clearly distancing Britain from the US intention to train and arm the forces of the Bosnian government, he said "neither Nato nor any contingent in I-For will arm and train the Bosnian forces".

The British government would not be party to any such project. "It's not on," Mr Soames said. "There is a need for realism," the minister added. He said freedom of movement for civilians remained an important issue, saying that interference by gunmen at illegal checkpoints "will not be tolerated". Western

officials are also concerned that the existing Bosnian government and the Croat political entity in Bosnia will not dissolve themselves, as planned, to re-form under the new political arrangements envisaged by the Dayton peace accords.

Fears about the activities of Islamic mujahedin fighters allied to the Bosnian government seem to have eased, according to Brigadier John Reith, the Director of Military Operations. "We have no reports of mujahedin in our sector and my understanding is that by and large they have withdrawn from the country," Brigadier Reith said.

Under the terms of the Dayton accords all foreign elements were to have left Bosnia by 13 January, although Brigadier Reith conceded that some of the mujahedin may have adopted Bosnian nationality or intermarried.

None the less, both ministers and armed forces chiefs are at pains to represent the initial deployment as an almost unqualified success. Brigadier Reith said there had been some friction between troop contributing nations as forces were "rebalanced" by the Supreme Allied Commander Europe (Saceur), General George Joulwan. A Malaysian contingent had been unwilling to transfer to the British sector until ordered to, while funding and logistics problems had prevented Pakistan from sending men.

The next scheduled test of I-For's mission — "crunch time" — will come in mid-April, 120 days after the mission began. By then the armed forces of Muslim, Serb and Croat factions should have withdrawn to barracks.

IN BRIEF

Bomber sheikh's last message

New York — Sheikh Omar Abdel-Rahman was preparing to deliver a final message before being sentenced to life in prison for plots to bomb New York landmarks and kill President Hosni Mubarak of Egypt. The blind, 57-year-old sheikh and nine others were convicted 1 October of seditious conspiracy in a plot to bomb the United Nations building, FBI offices in Manhattan, two tunnels and a bridge connecting New Jersey and New York. The sheikh was also convicted in a plot to assassinate President Mubarak, a crime that carries a mandatory life sentence. AP

'The Scream' thieves jailed

Oslo — Four men were convicted of the 1994 theft of Norway's most treasured painting, *The Scream* by Edvard Munch, from the National Gallery. The painting was recovered undamaged three months later. Paal Enger, Bjorn Grytda, William Asheim and Jan Olsen were sentenced to prison terms ranging from six years and three months to two years and eight months. AP

Berlusconi claims he was set up

Milan — Silvio Berlusconi, the former Italian prime minister, went on trial for corruption on charges he says were trumped up by magistrates out to wreck his political career. Mr Berlusconi, his brother Paolo and nine others are charged over alleged bribes to tax officials by his Fininvest empire. Reuters

Evacuees go home on volcano island

Plymouth, Montserrat — The last evacuees headed home after a smouldering volcano on this British island territory subsided and the government lifted a relocation order. More than one-third of Montserrat's 11,000 people were ordered to leave the southern part of the Caribbean island early in December because of volcanic activity beneath the Soufriere Hills. Reuters

Muzorewa to challenge Mugabe

Harare — Abel Muzorewa, Zimbabwe's first black prime minister, said he will challenge President Robert Mugabe in the March election. The Methodist bishop, who heads the opposition United Parties, is expected to garner a small protest vote. AP

Greek hopefuls down to four

Athens — Apostolos Kaklamanis, one of five candidates to succeed Andreas Papandreu as Prime Minister, quit the race yesterday. The Parliament president withdrew his candidacy from today's vote "instead of getting a couple of dozen votes". AP

Barbara Jordan dies at 59

Austin, Texas — Former Congresswoman Barbara Jordan, 59, whose ringing voice and unshakable faith in the US Constitution gripped the nation during the Watergate impeachment hearings, has died. Ms Jordan, the first black elected to Congress from the South since Reconstruction, had been ill for several years. AP

Ex-editor to chair Russian Duma

Moscow — Russia's lower house of parliament, the Duma, has elected a Communist, Gennady Seleznyov, a former editor of *Pravda*, to the post of chairman. Two previous ballots had failed to produce a winner. Reuters

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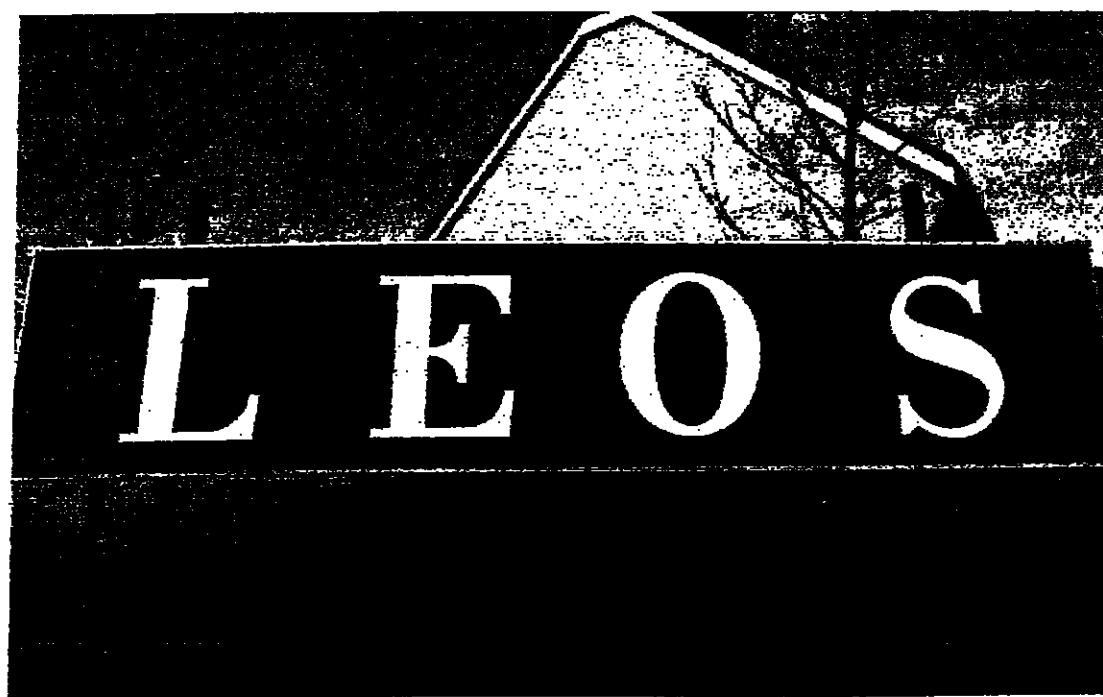
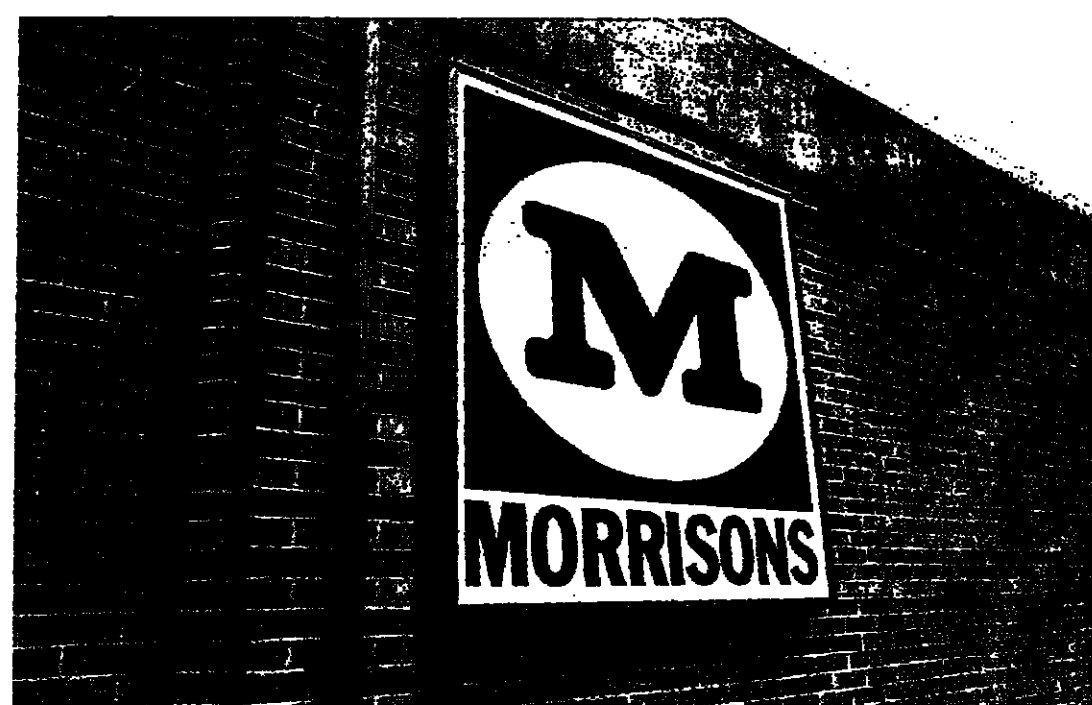
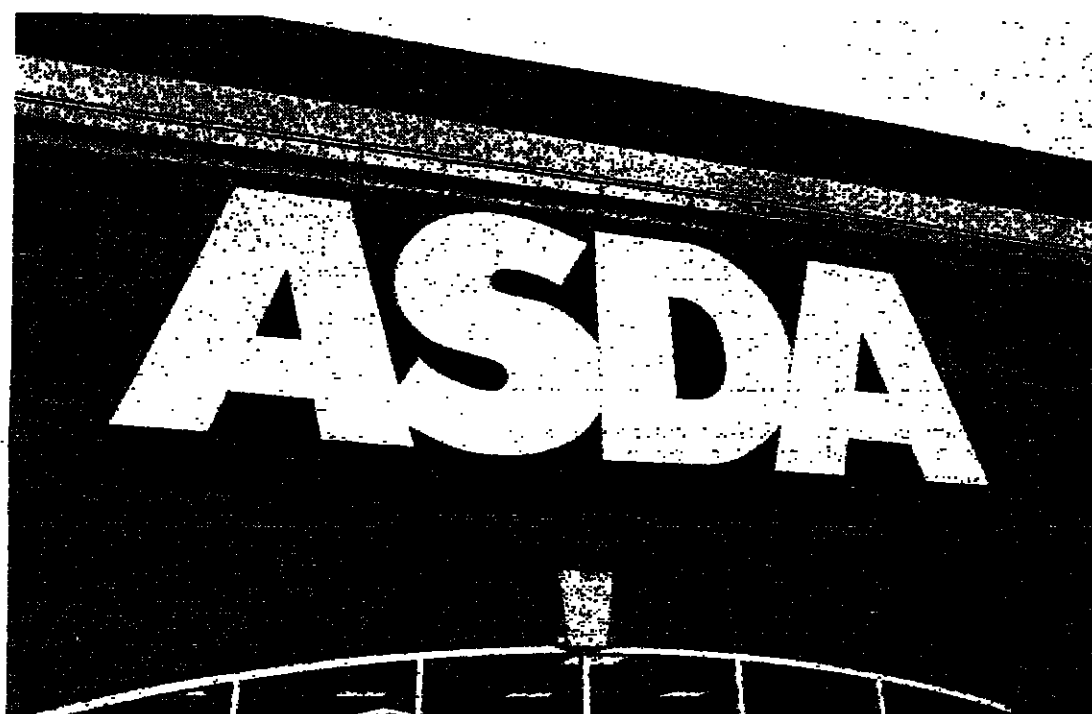
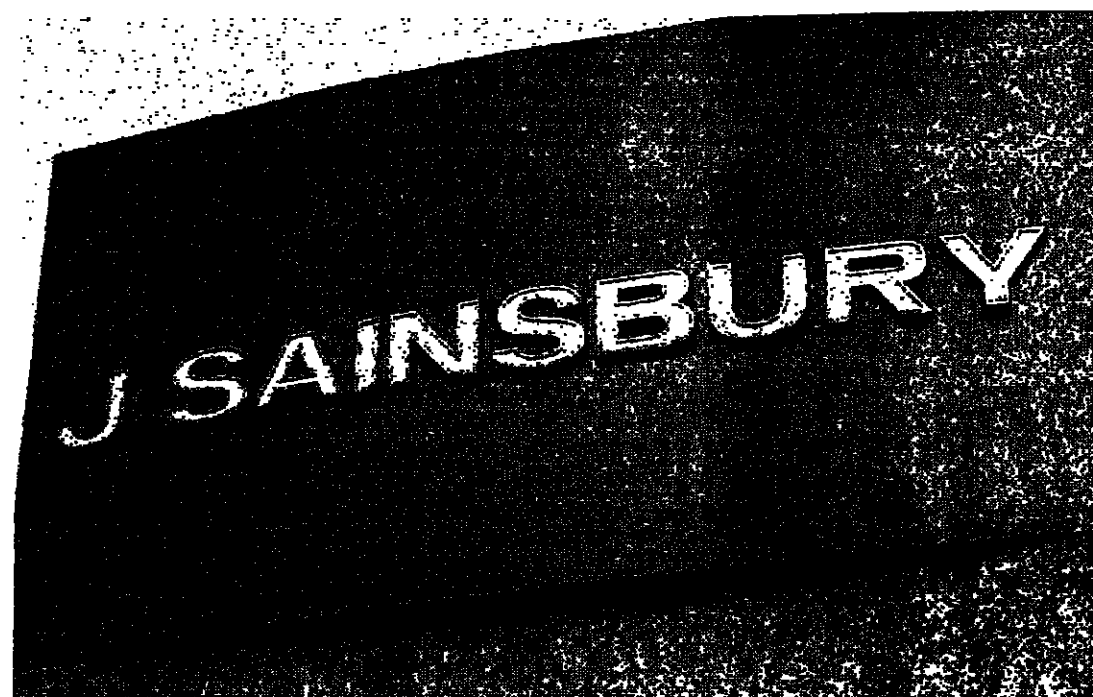
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All in all, the signs could hardly be more reassuring.

BRITISH
MEAT

Beef

international

French arms industry hit by massive losses

MARY DEJEVSKY
Paris

Thousands of workers in the French defence sector may lose their jobs after one of France's main arms producers, the state-owned GIAT (Groupeement Industriel des Armes Terrestres) yesterday announced a loss for 1995 of almost 12bn francs (£1.6bn), one of the worst results ever posted by a French company.

The loss, which is six times as high as that announced for 1994, on a turnover estimated at below Fr8bn, highlights the desperate plight of the French defence industry five years after the end of the Cold War and is likely to accelerate long-planned restructuring.

The Defence Minister, Charles Millon, made restructuring of the arms sector a major part of his New Year address to journalists yesterday. Speaking carefully, he said his watchwords would be "clarity, consensus and decision". In a clear attempt to avoid the sort of industrial unrest provoked by government welfare reform plans at the end of last year, Mr Millon said that the search for consensus would be allocated

"as much time as it takes", but the decisions, once taken, would be kept to.

GIAT and the defence sector generally have been caught between two imperatives, both beyond their control: reduced orders from the French defence ministry and abroad following the end of the Cold War, and the Chirac government's determination to cut the defence budget deficit. Defence spending has been a major victim: the arms procurement budget in particular has been cut by 16 per cent.

Some 300,000 people are employed directly or indirectly by the defence industry in France; 30,000 jobs have been lost in the past two years alone, and arms enterprises are concentrated in areas of already high unemployment - chiefly in Brittany and Aquitaine.

As one French analyst put it succinctly this week: "It was thought better not to touch the peace dividend lest it become a social nightmare." Forecasts are that the defence sector will have to shed at least 50,000 jobs, probably in the next two years. Already, industry representatives are comparing the situation with the contraction of

the French steel industry in the 1980s and calling for massive state aid for affected areas.

The problems of GIAT, which employs more than 11,000 people and whose main product is the Leclerc tank, reflect those of the industry as a whole - several times over. It has suffered severe competition from the German Leopard tank and from falling demand for land weapons. When France overtook the US to become the biggest arms supplier to the Third World last year, this was thanks to sales of aircraft, ships and submarines, not land weapons.

Last November, a parliamentary report on the arms sector as a whole said that the group was in real danger of dying and said it would have to lose "several thousand" jobs. It described a "critical situation" which, it said, had been exacerbated by management and investment errors. In particular, proceeds from a big tank order from the United Arab Emirates in 1993 appeared to have been squandered.

An adviser to the defence minister said that criminal charges could "not be ruled out" in connection with the losses.

Battle for power: Rao unleashes anti-corruption law against his opponents



Charged: The Hindu fundamentalist leader Lal Krishna Advani (front) sits in a police bus after his arrest in New Delhi

Photograph: Ait Kumar/AP

India's old crocodile snaps up rivals

TIM MCSHIRT
New Delhi

India's Prime Minister is a man of surprises. Suffering from a feeble heart and encircled by powerful foes within his own Congress party, Narasimha Rao was not expected to last a full five-year term. He has. He is also ready to stand again, in the general elections in April.

A distant, scholarly man who rarely smiles, Mr Rao, 72, stunned everybody by revealing that he was a weekend novelist, capable of penning steamy lines such as, "Their bodies, like strangers meeting for the first time, introduced themselves to each other. It was a process in which millions of pores, blood vessels and reflexes were involved in an all-out mutual comprehension."

In the past few days, the glum-faced Mr Rao has unveiled another side to his character: the audacious predator. Like a crocodile, lying so still that everybody thinks he is a harmless old dog, Mr Rao has finally pounced, snapping at his adversaries.

Under Mr Rao's direct command is India's equivalent of the FBI, the Central Bureau of Investigation. On Tuesday, the CBI charged seven of the country's most senior opposition

leaders - among them, Lal Krishna Advani, president of the right-wing Hindu Bharatiya Janata Party (BJP) - with accepting pay-offs in an illegal money-changing scandal. At the same time, the CBI also implicated three cabinet ministers in the same affair. Few observers believe that the CBI would have prosecuted the politicians, especially the Congress party ministers, unless Mr Rao ordered them to do so.

Sacrificing three cabinet ministers - the suave aristocrat Madhav Rao Scindia, who is the human resources minister, Balram Jakhar, agriculture minister, and VC Shukla, in charge of parliamentary affairs - is easy for Mr Rao: they are all possible challengers.

Mr Scindia and Mr Shukla announced their resignations yesterday and Mr Jakhar is expected to follow suit. Mr Advani resigned from his parliamentary seat on Tuesday to fight the accusations and vowed not to contest the elections until he is cleared.

Enraged at Mr Rao's tough tactics, 90 right-wing Hindu MPs and 30 state-assembly members staged a protest march yesterday to the prime minister's residence. All were arrested. Sushma Swaraj of the BJP said that the CBI's accu-



Devi Lal: Reportedly listed in Jains' diary of pay-offs

the charges are false and should be dropped.

Mr Rao's timing was shrewd. The Hindu nationalists intended to make the corruption of the Congress government their main campaign platform. However, the Prime Minister may have caused too many casual-

ties in his attempt to remain unchallenged within the Congress party. In getting rid of all the regional bosses who might have opposed his leadership, Mr Rao may have demolished the party engine which he must rely on to churn out votes.

The sums involved in the alleged bribery cases may be small by Asian standards - £112m shared among 110 politicians and bureaucrats - but the money is tainted by terrorism. The politicians were caught by chance: in 1991, investigators captured two suspected Kashmiri terrorists trying to launder money for their Muslim separatist group. Their contacts were the Jain family, who allegedly operated an illegal money-changing racket. The Jains were charged in 1992 with laundering undeclared "black" money into foreign currency for hefty commissions while paying politicians and bureaucrats to keep silent.

Few Indians pay taxes and the country has a vast, subterranean economy of undeclared "black money". As Professor C P Bhambhani from the Jawaharlal Nehru University in New Delhi, explained: "Black money has allowed real-estate owners, contractors, foreign lobbyists and other powerful urban groups to actively manipulate

democratic institutions." At election time, politicians from almost all parties tap these illegal funds for their campaigns, knowing that their benefactors will expect a pay-back if they win.

In raids on the Jains' offices in Delhi and Bombay, police discovered a diary chronicling pay-offs allegedly made between 1988 and 1991 to top politicians and civil servants. But the diary did not give names, only initials. Government pressure closed the case for years until Mr Rao dusted it off to gain political advantage.

Mr Advani, along with Arjun Singh, a former Congress enemy of Mr Rao, and Devi Lal, a former left-wing deputy premier, were reportedly listed in the diary, together with the others so far named by the CBI. At least 18 other politicians may soon be charged by police. If found guilty, the politicians face up to five years in jail for "the receipt of illegal gratifications", according to police investigators.

Rajinder Puri, a public petitioner who fought for years for police to investigate the Jain diaries, said: "Operators in the network who were financing Kashmiri and Punjab terrorists were the same that were giving money to our political leaders."

The Queen's man in Sydney loses his palace

ROBERT MILLIKEN
Sydney

The New South Wales government wants the state Governor - the Queen's representative - to work part-time from home and turn the country's oldest vice-regal residence into a "people's palace".

The move was seen as another slap in the face for the monarchy in Australia, and a significant step towards a republic.

Under the radical plan announced by Bob Carr, the state's Labor Premier, the next Governor, Gordon Samuels, a British-born former judge, will live in his own modest suburban house near the Pacific Ocean, while the grand official mansion, built as a castle in colonial days, will be thrown open to the public. Outraged monarchists yesterday demanded that the state parliament be recalled and a referendum held on the decision. They compared it to the Queen being told to move

out of Buckingham Palace.

Mr Carr, a former journalist and avowed republican, dismissed their charges. "We want to update the role of Governor, make it somewhat more relevant to the Australia of the 21st century," he said. "There will be no return to the antiquated concept of Governor."

So far, the republican debate has focused on the role of the Governor-General, the Queen's national representative, whom Paul Keating, the Prime Minister, wants to replace with a president by 2001. The six state governors are hangovers from the colonial history of the then unfederated states in the 18th and early 19th centuries. If Australia as a whole votes for a republic, they would become superfluous.

Mr Carr has deeply upset Australia's traditionalists and conservatives. New South Wales is the oldest and most populous state. Government House, the turreted sandstone residence of the Governor in sweeping

grounds above Sydney Harbour, represents the birthplace of British democratic traditions in Australia. The Queen and other members of the Royal Family have stayed there many times.

From next week, the grounds will be turned into public parkland, while a committee decides whether the mansion itself becomes an art gallery, music centre or some other cultural venue. One Labor MP suggested that it be converted into a wine centre, where the public could lounge in the gardens drinking - in contrast to the formal vice-regal garden parties which have been held there for more than two centuries.

Mr Samuels, 72, who will take over as Governor in March, made it clear yesterday that he had agreed to take on the job only on condition that it be stripped of its traditional pomp, leaving only basic constitutional duties, such as opening parliament and attending some public ceremonies.

US wealthy bank on fashion for flat tax

DAVID USBORNE
New York

When Jerry Brown, the former California Governor, ran with the idea in the presidential race four years ago, they said he had finally lost his senses. Suddenly it is the idea that no politician dare ignore: replacing America's labyrinthine tax code with a so-called flat tax, with one rate for all.

Carrying the banner this time is the magazine tycoon Steve Forbes. With his promise that with a flat tax all Americans could fit their annual tax de-

clarations on a postcard, he finds himself polling second behind Senator Bob Dole to be this year's Republican nominee. Tax reform, if not revolution, is threatening to become a pivotal issue of the presidential season.

Thus yesterday, a Republican commission set up by Bob Dole and headed by another former presidential runner, Jack Kemp, came out swinging for a single-rate system, if not quite the model advocated by Mr Forbes. Phil Gramm, another Republican contender this year, also spelled out his backing for a form of flat tax yesterday. Even

the White House this week said it is studying reforms that involve "flattening tax rates".

The beauty of the Forbes plan is its simplicity. The current five-rate tax code, ranging from 15 to 39.6 per cent, would be replaced with a single rate of 17 per cent for all personal income above \$36,000 (£23,530). Businesses would also pay a 17 per cent rate on the difference between their earnings and their expenses. That, essentially, would be that. No tax would be paid on income from investments, stockholdings or asset sales, while traditional deduc-

tions, for instance for mortgage payments, would be ditched. The Forbes plan would amount to the biggest leap into the fiscal unknown undertaken by an industrialised country.

Its attractions, aside from the postcard gimmick, include its impact as a disguised consumption tax. Because income from investments would be tax-free, Americans, famous as chronically bad savers, would be encouraged to spend less and put aside more. That, in turn, would release more and much cheaper capital for businesses. But so pure a flat tax raises

serious problems, fiscal and political. It would almost certainly mean less money for the government. Ending mortgage deductions, a sacred cow for the middle class, could, by some estimates, depress house prices by 15 per cent. And it is an idea that looks fabulous to the fabulously rich, many of whom do not earn salaries but live on returns from investments. Their existences would become tax-free.

"It appears to have been drafted on the back of a menu, after a bibulous evening with the boys at the yacht basin," wrote

Pat Buchanan, another Republican contender, in the *New York Times* yesterday. "The federal budget would be thrown deeper into deficit, and lounge lizards in Palm Beach pay a lower tax rate than steelworkers in Youngstown."

The Forbes flat tax will not happen. But as the annual nightmare of filing tax-returns by 15 April approaches, the clamour among voters for at least a cleansing of the current tax code, described by the Kemp Commission yesterday as a "seven-million-word mess", may become deafening.

Snow is black comedy in a place that shouldn't exist

Slithering and slipping down what once was a thoroughfare of North-West Washington, called Nevada Avenue, you couldn't miss the sign one resigned resident had stuck on the pavement in neon orange: "At Least Snow Fills the Potholes."

Not perhaps for much longer, though. Ten days after the great blizzard, the snow ploughs of the District of Columbia - beige creatures with red and white insignia which of late have been a species as rare as the spotted Pacific owl - are occasionally and at last to be sighted. It's not quite the relief of Mafeking. But in this benighted corner of the city that moonlights as capital of the free world, it is almost.

Let me say at once, my own street was fortunate. No thanks to DC or the federal government, it goes without saying, but because the director of an old people's home round the corner had his roads ploughed by private contractors, and threw in ours for good measure. Also the nearby Carnegie Institute, where scientific work requires

WASHINGTON DAYS

round-the-clock monitoring, knew full well it could not rely on the city to keep streets passable. For the rest, though, it has been a black comedy in white.

Long before the snow came, Washington was acquiring a positively Muscovite decrepitude: civic bankruptcy, crumbling services, the flight of residents and business to the suburbs and, of course, the great government shut-down.

To cross into Maryland or Virginia was like the passage from the Soviet Union into Finland, from rutted back roads to billiard-table highways, from the Third World into the first. The only surprise was how long it took the grumbling to start. But then Washingtonians are acquiring a Muscovite fatalism as well. Expect nothing, hope for nothing, and treat a rubbish pick-up as a minor miracle. At least then you won't be disappointed.

Let it be said, the problem is not Marion Barry. Sure, the city's image is not exactly burnished by the presence of the old reprobate, and this week the Mayor has been, shall we say, a less than inspirational leader. But even his former nemesis, the *Washington Post*, has been relatively tender. For one thing, to borrow the words of a French politician explaining why he did not criticise a doomed opponent, "On ne tire pas sur une ambulance." (You don't shoot at an ambulance.) Far more important, bad boy Barry was as helpless as the rest of us.

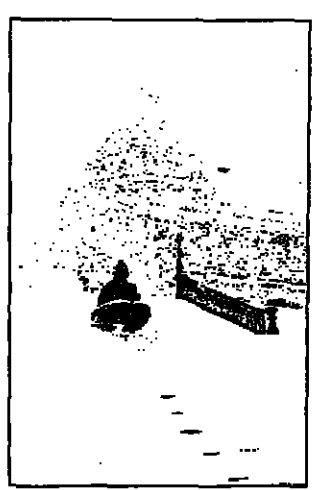
In fact, he put up a better performance than last time a big blizzard struck when he was in office and he winged it to California to watch the Washington Redskins in the Superbowl. This time he was in town throughout, making helicopter trips over the region and pleading for federal help, which was

granted last Friday. But basically there was not a thing he could do and the city knew it.

For one thing, he runs a place where the chain of command has vanished into a fog of overlapping authorities. Mr Barry has the trappings, but little of the substance, of power. Since Washington went broke last year, a federally-appointed DC Control Board has had the last word on appointments and spending.

The Republican Congress, not an instinctive soulmate of this overwhelmingly Democratic city, has veto rights over the District budget. But in the White House sits a Democratic President, head of the federal government which is the biggest local industry, and which has veto rights over Congress. The buck, in short, stops nowhere.

And even if Mr Barry were in charge, he couldn't do anything. Half the District's own 100 snow ploughs were out of action for want of maintenance, while private contractors refused to help, convinced by



Capitol fun: A boy sledges in the snow in Washington

previous experience that if they did, they would never get paid. In short, the snow debacle of 1996 has proved the city is completely and irrevocably dysfunctional. Just possibly, good may yet come out of it all.

The remedy is clear. The present District of Columbia, a

wretched, half-disenfranchised enclave that will never be able to pay for itself, should be scrapped and its territory and jurisdiction returned to Maryland, just as the part of the original Washington south of the Potomac (including the land on which the Pentagon now stands) was handed back to Virginia in the 19th century. That way, residents would be able to vote in Congressional as well as local elections and see their taxes spent on better roads, schools and the rest, instead of trying to fund infrastructure for a 51st state which does not, ought not and cannot exist.

Maybe there'd be some money left over to fix those potholes. The post-blizzard crop, including specimens the size of elephant traps, is starting to emerge, thanks to thaw (and who knows, snowploughs). For the District though, the order of the hour is less melt-off than melt-down: gradual but terminal melt-down.

Rupert Cornwell

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CITY & BUSINESS EDITOR: JEREMY WARNER

Unichem in talks to bid for Lloyds Chemists

DAVID HELLIER

Unichem, the pharmaceutical wholesaler and retailer, has made an approach that is expected to lead to a near-£500m takeover bid for its rival, Lloyds Chemists.

The two companies are believed to have been in talks for several days and a deal is said to be close to being finalised. In the past few days there has been persistent takeover speculation surrounding the future of Lloyds Chemists and last night

the shares climbed 16p to 291p on rumours that a bid was close to being announced.

Lloyds Chemists' shares rose a further 75p yesterday to 366p after the company said it had received a bid approach. It made no comment as to who had made the approach.

Asda and Boots, the two retail companies, both said yesterday they were not in talks. Unichem declined to comment.

Shares in Unichem were 10p down on the expectation that there would be a rights issue.

Analysts close to the company, however, said this was not going to be the case. If the deal went ahead it would be a cash-and-shares offer, they said, but there would be no rights issue.

Any formal offer is widely expected to have to be vetted by the Office of Fair Trading. Unichem is a large wholesale pharmaceutical distributor and in the past few years it has also been building up its retail arm.

The two companies both came up against a Monopolies Commission inquiry when they

bid for another rival company, Macarthy, four years ago. In the end both bids were cleared and Lloyds Chemists won with a £92.5m agreed bid after Unichem dropped out of the running.

Lloyds Chemists is already a significant retail pharmacist - it has 935 chemists stores and 369 Holland and Barrett health food outlets, as well as the Superstore drugstore chain - but it is smaller in the wholesale pharmacy business.

Last spring Lloyds Chemists

endured a series of problems that were widely perceived to have left the company vulnerable to a bid approach.

In March last year NatWest Securities, a joint broker with Panmure Gordon, resigned shortly after a decision by the company to close 100 of its Superstore stores. The company's shares took a heavy fall when it was made clear that the closure would result in £13.4m of restructuring costs.

In June Peter Lloyd, who helped his brother Allen to

build up the company, resigned as chief executive because of ill health. Allen Lloyd said at the time that his brother had become ill through stress after the decision to reorganise the company's loss-making drugstore business.

During the Christmas period there were further stories that Allen Lloyd was also ill but these were denied by the company and its advisers.

Allen Lloyd, who founded the group in 1973 with a single pharmacy, is a collector of cars and

enjoys racing Jaguars. The Lloyd family holds around 10 per cent of the shares and therefore could receive around £50m if a deal went through at the anticipated price.

Lloyds Chemists was hoping last night to make a further statement later in the week.

Unichem had turnover of £695m last year, from which it earned pre-tax profits of £21.7m. Its profits performance last year was knocked by teething problems with a new computer system.

Lloyd's to turn up heat on regulation

JOHN EISENHAMMER
Financial Editor

Lloyd's of London will toughen its disciplinary procedures and step up the monitoring of professionals in the market in response to sharp criticism of its self-regulatory performance.

"The real message is that we want to turn the heat up," David Gittings, director of regulatory services, said.

Sir Alan Hardcastle, chairman of Lloyd's regulatory board, said the tougher regime, meant finally to bring Lloyd's up to the mark of regulation elsewhere in the City, was expected to provoke consolidation among weaker operators in the market, and to oblige some professionals to drop out.

Lloyd's first regulatory plan will register all senior executives among underwriters, brokers and agents to ensure they meet high standards of competence, and to make monitoring easier.

Lloyd's system of regulating itself was savaged last year by the influential Commons Treasury select committee. Describing it as "fundamentally and irretrievably tarnished by past problems", the committee concluded that "the loss of confidence in regulation cannot be restored within the current regulatory system".

It recommended that responsibility be switched to an independent body answerable to the Treasury. Sir Alan himself was singled out for criticism as being too close to the interests of the Lloyd's management.

With the change in legislation required for such radical reform widely considered to be improbable this side of an election, Lloyd's response yesterday was seen as an attempt to salvage the current system.

But the tardiness of the response has produced considerable internal tensions, the most significant being the sudden departure last September of Rosalind Gilmore, in charge of revamping the regulatory regime at Lloyd's, who was thought to have become frustrated at the progress.

The new regulatory plan sets out for the first time core principles of behaviour and competence consistent with standards demanded by other City regulators such as the Securities and Investments Board. "This means we shall be able to go for people ignoring the spirit of these principles, and not just the letter," Mr Gittings said.

The plan also sets up a summary disciplinary process with clearly stated sanctions that will make it easier to discipline individuals, in the past a complex and slow process.

Granada acquires maximum stake

MATTHEW HORSMAN

An increasingly confident Granada yesterday raised its stake to the maximum level allowed under Takeover Panel rules, fuelling belief that it will now easily win its £3.8bn hostile bid.

Barring a radical response from Forte, which analysts did not expect to materialise, the odds have moved sharply in Granada's favour.

The television and leisure company bought another 0.7 per cent of Forte, the target of its hostile bid, taking its holding to the maximum allowed of 9.9 per cent, worth £386m.

Meanwhile, several leading institutions confirmed yesterday that they had tendered shares to Granada in its morning raid on Tuesday. They included Hermes, the pension fund of the Post Office, which normally supports management against hostile bids. Hermes indicated yesterday that the sale did not mean it had decided to back Granada.

Mercury Asset Management, which had owned 15 per cent of Forte, tendered 9 million shares, taking its stake down to 14.63 per cent.

Shifting shares	
Forte shares sold by top City institutions to Granada:	
Lloyds Inv Managers	1.2m
Sun Life Inv Mgmt	2.5m
Hermes Inv Mgmt	3m
Starhope	6.3m
Mercury Asset Mgmt	9m
Capital Group	10.5m

MAM's chief strategist, Carol Galley, is believed to support Granada in the acrimonious battle, and is expected to tender MAM's 168 million remaining Forte shares by the bid close on Tuesday.

Forte said the mop-up operation proved that Granada had not been able to buy all the shares it wanted in Tuesday's raid.

A spokesman said: "The vast majority did not sell their shares, and this shows there is good support from our shareholders."

Several analysts have now publicly recommended that Forte shareholders accept the cash-and-shares offer, which values the hotels and restaurants group at 385p.

Among the houses holding

out yesterday was Goldman Sachs.

The warring sides again traded statistics and criticisms yesterday, following publication in the morning of a new document by Granada, aimed, it said, at "returning the debate to fundamentals".

Granada attacked Forte's defence strategy, claiming that the target company's share buy-back scheme was flawed and that it had promised an "imprudent" dividend commitment of 20 per cent rises in each of the next three years.

Forte said the document "contains nothing new" and that "the figures it uses are simply wrong."

The two companies have disagreed about the earnings potential of Forte following a planned asset disposal programme, and about the likely level of the company's share price if the Granada bid fails.

Granada's finance director, Henry Staunton, yesterday sharply criticised what he called Forte's "selective" use of figures in its defence strategy. "Our figures are transparent, and are hard numbers," he said. "We feel that Forte has been picking and choosing to suit the case, using one tax rate for one set of forecasts, and another figure for something else."

A Forte spokesman shot back: "For Granada to accuse us of being selective when they have done a complete strategic U-turn is rich indeed."

Asked again to explain the strength of Granada's share price following its increased offer, a Granada source said the stock's strong performance underlined the market's belief that the bid would succeed and that the company's management would be able to achieve the promised profits enhancement.

Granada closed unchanged at 693p, having traded lower in early trading. Forte ended the day at 377.5p, down 3p.



Michael Grade, chairman of ten-pin bowling to health club group First Leisure, warned yesterday that growth had slowed in the second half of the year to October. Profits improved 7 per cent to £40.1m, held back by an ambitious expansion programme in the Bingo, Dancing and Fitness divisions. *Investment column, page 18* Photograph: Edward Sykes

Pensions fines threaten 23 funds

NIC CICUTTI

Twenty-three fund management companies face disciplinary action by their financial watchdog in a fresh blitz over the mis-selling of personal pensions.

If charges are proved against the firms, understood to include some of the City's biggest names, they may face unlimited fines. Individuals within those companies could be permanently barred from doing investment business.

The investigation into the 23 firms' activities, said to have shown "systemic failings" in their sales processes, was launched 15 months ago by their watchdog, the Investment

Management Regulatory Organisation. The first fines are expected within weeks.

Imro's inquiry into the financial services offshoots of some of its fund managers is the toughest so far carried out by any regulator.

It follows accusations by the Labour Party and the Consumers' Association that financial watchdogs have dragged their feet in resolving the issue.

Phillip Thorpe, chief executive of Imro, said: "Formal investigations have only been launched where it appears that there have been systemic failings in the sales process."

"It is our declared intention that our regulated firms will

complete the whole review ahead of the final deadline."

The Imro inquiry follows a report in October 1994 by the leading regulator, the Securities and Investments Board, which found that up to 1.5 million people may have been mis-sold a private pension.

Every regulator was told to begin a review of pension transfers carried out by their members. But at the largest watchdog, the Personal Investment Authority, the process stalled within months, mired in legal action and a boycott by thousands of financial advisers.

Earlier this week, the SIB's progress report admitted that few of the urgent cases due for redress by the end of last year had received any compensation.

Imro's investigation revealed that of its 1,200 members, 46 carried out a total of 76,000 pension transfers. Of those, 15,000 were priority cases where policyholders have died, are close to retirement or were over the age of 35 when they opted out of company schemes. Compensation averaging £3,000 per affected client has been paid.

Of the 46 firms that carried out pension transfers, 16 joined the PIA last year. But they remain subject to Imro in respect of activities while members. It was not clear yesterday how many of the new PIA members are under inves-

Oops...

Finance directors from each of the warring Forte-Granada camps have both got egg on their face as the hostile bid moves towards a climax. Yesterday, the Forte finance director Keith Hamill (above right) was forced by the Takeover Panel to clarify remarks which seemed to draw a comparison between the illegal share-support scheme operated by Guinness in its disputed takeover of Distillers in 1986 and the rising value of Granada's shares in the current bid for Forte. Last week, Forte issued a writ against the Granada finance director Henry Staunton (above left) for remarks attributed to him. Mr Staunton appeared to suggest Forte had set out to mislead shareholders in its defence document. The writ against Mr Staunton remains outstanding. Neutral observers suggest both men may be getting tired, following weeks of long hours, hundreds of meetings and endless phone conversations.

Economy: German repo cut offsets effect of slowdown in unemployment and fall in vacancies in the UK Hopes undimmed by standstill on interest rates

PAUL WALLACE
Economics Editor

Kenneth Clarke and Eddie George left interest rates unchanged at their monthly monetary meeting yesterday, but hopes of an early reduction were undimmed as the fall in unemployment tapered off in December, vacancies fell and the growth in underlying earnings remained unchanged at 3.25 per cent.

A surprisingly large fall in the German repo rate from 3.73 to 3.65 per cent helped interest rate sentiment, but the latest figure for the public sector borrowing requirement raised concern that the Government could overshoot its forecast for 1995/6, even though this was raised by £7.5bn at the time of the Budget.

Following Mr Heseltine's gaffe on Tuesday in revealing that unemployment had fallen in December, the only question was by how much. The answer was 7,900, about half the average monthly fall in 1995 and a quarter of the rate of reduction in 1994.

Although statisticians cautioned that special factors might have made the fall in claimant unemployment smaller than the underlying trend of 10,000-15,000, a drop in the stock of vacancies at Jobcentres also pointed to a less buoyant labour market.

Notification of new vacancies and placements fell more sharply than at any time since June 1991, albeit from near-record levels.

The index of average weekly hours worked in manufacturing

fell in November to its lowest level since February.

The Treasury drew satisfaction from the continuing subdued growth in underlying earnings for the whole economy, suggesting that this augured well for inflation.

However, there was a pick-up in the services sector from a low of 2.5 per cent over the summer to 2.75 per cent in October and November.

The City largely shrugged off disappointing news on unit labour costs in manufacturing,

which jumped to 4 per cent in the three months ending November compared with a year ago, the highest for four years. About 4,000 extra manufacturing jobs contributed to a fall in productivity of 0.1 per cent, the first since March 1986.

Simon Briscoe, UK economist at Nikko Europe, said: "We do not see this as the start of a worrying trend." It reflected the sharpness of the slowdown in output growth and would correct itself in 1996 as output rose or jobs were cut.

Fears of an overshoot on the PSBR were raised by figures showing the Government borrowed marginally more in the first nine months of the financial year than in the same period in 1994/5. The cumulative total rose to £23.9bn, compared with £23.8bn in 1994/5.

Andrew Smith, shadow chief secretary, said the figures confirmed the concerns of the Treasury Select Committee, which had expressed disappointment at the slippage in the PSBR.

"The deficit looks on course to overshoot the Treasury's full-year forecast of £29bn," said Alex Garrard, UK economist at UBS, a view shared by economists at Hoare Govett and NatWest Markets. While net departmental outlays remained under control, overall receipts in the first nine months of the year have risen by half a per cent since the Treasury's forecast for the full year.

A further black spot is that local authorities have borrowed £900m so far this year compared with a net repayment of £800m in the same period for 1994/5.

BZW will move all its staff to Canary Wharf

JOHN WILLCOCK
Financial Correspondent

All of BZW, the investment banking division of Barclays Bank, will relocate to Canary Wharf in London's docklands, instead of only two-thirds.

Over 1,500 equities and corporate finance executives learnt yesterday of the move - reversing a decision two years ago to keep them in the Square Mile.

Roughly 2,000 are already due to start relocating eastwards at the end of this year. Now a total of 3,500 will have moved from six City sites by the end of 1998 - roughly in time for the opening of the Jubilee Line extension linking Canary Wharf to central London.

A spokesman for BZW said: "We concluded that in order to take on the big US investment banks head to head we have got to be all under one roof."

The decision has delighted Canary Wharf - which following yesterday's announcement is almost 80 per cent let. The Docklands scheme was only half let three years ago and is only now shaking off its white elephant image.

The move will anger the Corporation of the City of London, which has vociferously criticised Canary Wharf for poaching investment bank tenants.

But the decision has also brought a mixed response from BZW executives themselves. Previously the brokers and mergers and acquisitions specialists thought they would be

moving from a number of sites to Royal Mint Court, still in the City and just last year home to Barclays Bank's head office.

Graham Pimlott, chief executive of merchant banking at BZW, when asked how his staff had reacted to the relocation news, said: "There were mixed views, as you would expect."

"There is a general view that it will make life more difficult to meet clients in the City. But we will maintain a suite of offices in the City to see clients, so I don't think it will make it more difficult."

"In terms of BZW overall, the argument is overwhelming. The way you tried to structure [an investment bank] in 1986 is not the same as in 1996. You can't have equity and debt in different boxes - it won't work. People are broadly supportive of this view."

Mr Pimlott added that the decision did not imply any further restructuring of BZW. "This is literally a property deal."

BZW was originally going to take 520,000 square feet, and is now taking 700,000 square feet. This makes it the second biggest tenant in Canary Wharf behind Morgan Stanley, its American investment bank rival.

The main reason Canary Wharf found it difficult to attract tenants in recent years was the lack of adequate transport infrastructure. The Jubilee Line extension is seen as the key element to place the scheme on a par with the City and the West End as a business location.

STOCK MARKETS					
Index	Close	Day's change	Change(%)	1995/96 High	1995/96 Low
FTSE 100	3704.20	-6.40	-0.2	3720.60	2954.20
FTSE 250	4035.60	-1.90	-0.0	4080.10	3300.90
FTSE 350	1837.90	-2.60	-0.1	1848.50	1492.40
FT Small Cap	1976.18	-0.11	-0.0	1993.11	1678.51
FT All Share	1811.60	-2.44	-0.1	1821.21	1469.23
New York	5078.10	-10.12	-0.2	5216.47	3832.08
Tokyo	20570.26	+3.19	+0.0	20668.03	14485.41
Hong Kong	10583.82	-77.38	-0.7	10671.15	6967.93
Frankfurt	2371.30	-5.57	-0.2	2376.87	1910.96

Source: FT Information

INTEREST RATES					
Index	1 Month	3 Month	6 Month	1 Year	Long Bond
UK	6.50	6.25	7.32	8.56	7.47
US	5.56	5.25	5.82	7.71	6.05
Japan	0.38	0.60	1.66	4.67	-
Germany	3.53	3.31	3.86	7.51	6.65

BOND YIELDS					
Index	1 Month	3 Month	6 Month	1 Year	Long Bond
UK	6.50	6.25	7.32	8.56	7.47
US	5.56	5.25	5.82	7.71	6.05
Japan	0.38	0.60	1.66	4.67	-
Germany	3.53	3.31	3.86	7.51	6.65

MAIN PRICE CHANGES					
Index	Price	Change	% Change	Index	Price
Lloyds Chemists	366	75	25.8	TIG	151
Servot Hotel	1120	100	9.8	ML Laboratories	377
Marsy Docks	408	17	4.3	Trafalgar House	30.3

CURRENCIES					
Index	Close	Day's change	Change(%)	1995/96 High	1995/96 Low
£/\$	1.5305	-0.011	-0.7	1.5715	1.4633
£/¥	152.60	-1.20	-0.8	158.98	146.33
DM/\$	2.2415	-0.10	-4.4	2.4044	2.0701
¥/\$	161.445	-1.157	-0.7	165.25	150.2
£/DM	0.684	-0.004	-0.6	0.700	0.650

OTHER INDICATORS					
Index	Close	Day's change	Change(%)	1995/96 High	1995/96 Low
DH Brent \$	16.90	-0.9	-5.3	18.76	14.98
Gold \$	398.25	+0.95	+0.2	383.0	372.2
Gold £	260.05	+1.83	+0.7	243.199	235.0



COMMENT

'In their search for new product lines the supermarkets have quite blatantly used petrol as a loss-leader. The oil majors have already been hit where it hurts. Casualties among smaller independents are certain.'

Price war at pumps will create petrol deserts

The Chancellor read the petrol market just right when he raised duty 3.5p a litre in the Budget. The increase was almost twice the amount to which the Government committed itself in 1993 – a useful contribution to the cause of a 20 per cent basic income tax rate – but the price war that intensified yesterday will give most of the money back again to consumers, limiting the impact on inflation and the "feel-good" factor.

Commercially, price wars are nearly always wholly pointless; profit margins get shot to bits and even if a competitor is eventually forced out of the market, it can take years to recoup the financial damage. In petrol retailing it is questionable whether even the motorist gains. In the past, one of the effects of price-cutting initiatives was to drive thousands of small operators out of the business, leaving the big chains with greater control over prices at times of shortage.

This latest round of price-cutting may be different, however. The catalyst was the supermarkets, which in their search for new product lines have quite blatantly used petrol as a loss-leader. The oil majors have already been hit where it hurts, at their high price motorway sites. With a visit first to a supermarket forecourt, many modern cars can travel the length of a motorway without stopping. Casualties among smaller independents, which claim that petrol is being sold by the big oil companies at below cost, are certain. The supermarkets will not easily be driven out of the game, however. In

France, they have 54 per cent of the market. Small garage chains are pressing for an OFT inquiry but until the Government fulfils its promise in 1993 to tighten the law, this is pretty much a waste of time. As price wars in the bus industry testify, aggrieved companies are often dead and buried by the time an inquiry is complete. In any case, the OFT rightly sees the supermarkets as new-wave independents, better able to withstand the oil majors than little firms, and so of benefit to competition and the consumer. The Government is equally unsympathetic.

There is a downside. The petrol price war will create petrol deserts in large parts of rural and inner city Britain as Esso, BP, Shell and the supermarkets battle it out and small retailers close. But this time round, the real losers look like being the oil majors themselves.

Real jobs remain in short supply

Britain's flexible labour market is delivering a lower unemployment rate than the stakeholder economies of Continental Europe: that is the Government's proud claim. With unemployment still at 8.6 per cent on the internationally accepted definition, this is no more than a triumph in relative terms. And it comes with a sting, a chronic sense of insecurity that could scupper the Chancellor's dream of buoyant consumer

spending in 1996. For the "feel-good" factor to come good this year, the Government needs what Mrs Thatcher used to call "real jobs". Most people nowadays would happily settle for full-time jobs. Unfortunately, they are once again in short supply, according to the latest figures from the Labour Force Survey. The LFS is based on what members of households say about their employment. Ministers prefer this measure, not least because it shows more growth than the employer-based count.

This helpful pattern is repeated in the latest figures which show employment down in the third quarter according to the employer count, but rising according to the LFS. On an annual basis, the LFS shows an appreciable rise in employment of 250,000, compared with a meagre increase of under 100,000 on the other measure.

But never mind the width, feel the quality. On that score, the LFS conveys a less encouraging message. The pick-up in full-time employment which got under way in 1994 has ground to a halt; indeed, full-time jobs fell by 9,000 in the latest quarter. Part-timers made up the difference. On an annual basis, they accounted for almost two-thirds of the 250,000 new jobs.

The renewed shift to part-time work may suit employers, but it creates a climate in which consumers are reluctant to dip into savings. As long as these conditions hold, consumer expenditure is unlikely to take off, notwithstanding all those windfall gains

that lie ahead. The Chancellor may not have cut rates yesterday, but cut again he assuredly will.

A Japanese fly in Eurotunnel ointment

Financial crisis is such a regular occurrence at Eurotunnel that it is hard to remember the company being in any other state. Life under the Channel is just one long financial crisis. If once upon a time there was a beginning, circa 1986, there is certainly no prospect of an end. There may be something to be gained from the present unresolved state of affairs, however. A bit like the Northern Ireland peace talks, neither party (in this case bankers and company) has much interest in finding a solution. The important thing is simply to keep the dialogue going.

First the company. There is no reason Sir Alastair Morton and his crew should want a full financial reconstruction since it would mean recognising the underlying economic reality, that Eurotunnel equity has no value at all. Part of the function of a board of directors is to sustain at least the hope of some value for shareholders, even if this is only at some indefinite point in the future.

Charade this may be, but bankers have some interest in going along with it. They are already guaranteed every penny of money the project generates over and above its operating costs, so it could be argued that

tolerating the present stand-off makes no difference. Why clock up vast professional fees finding a neat financial reconstruction, or worse still give anything back to more junior creditors, when you already have all the protection you need?

There is a fly in the ointment here, however, and that is the position of Japanese bankers. Unlike others, they actually have a direct interest in crystallising their bad Eurotunnel debts for it is not until there is an event of bankruptcy or insolvency that they can claim tax relief on their losses. But this is not an insurmountable problem. Most bankers seem content to let the present situation ride.

So, while on paper, deadlines appear to be crowding in, the timetable is potentially very elastic indeed. The 18-month debt standstill agreed with the banks last September was on the understanding that proposals would be put to the banks by March. That deadline is almost certain to be missed. At the end of the full 18 months, there is nothing to stop Eurotunnel proposing a further standstill agreement. Bankers gain nothing by putting Eurotunnel into receivership, unless the tiresome business of finding new management could be described as a gain. Furthermore, Sir Alastair's chances of squeezing compensation out of the Government are probably as good if not better than most. Eurotunnel's insolvency may be something that all will just have to learn to live with.

Christmas sales: Kingfisher leads the pack in unimpressive Yuletide updates, while JJB Sports keeps up a winning run

Mixed retail fortunes leave City disappointed

NIGEL COPE

Kingfisher, the Woolworths and Comet group that has been struggling to re-group after a profits warning and a management clear-out last year, disappointed the City yesterday with a mixed update on Christmas trading.

Comet performed well, boosted by strong sales of multi-media PCs, and Woolworths also recovered from last year's stock problems. However, B&Q has faltered in a tough DIY market and Darty, the French electricals group, was badly affected by the Paris strikes in the run-up to Christmas.

Other retailers also reported mixed fortunes yesterday. Anita Roddick's Body Shop proved a disappointment when it said sales were similar to last year, with hardly any growth in Christmas trading. It has continued to struggle in the US and warned that profits this year would be "a little below" last year's levels.

But the best performance on the high street so far this year has come from JJB Sports, the chain of sports shops run by the former Blackburn Rover footballer David Whelan. The company went to the top of the retail league table with a surge in sales and plans to add more stores. "There is a big move towards



Ups and downs: Sir Geoffrey Mulcahy of Kingfisher

keeping fit in this country and we're benefiting from that," Mr Whelan said.

Kingfisher, led by its chief executive, Sir Geoffrey Mulcahy, was reporting on sales for the 10 weeks to 6 January, which showed that group like-for-like sales were up by 3.9 per cent on the same period last year. The group's shares rose 9p to 538p on the news that Woolworths's sales had increased by 7.3 per cent, helped by better stock availability, which proved a problem last Christmas. Sales of toys and home essentials were particularly strong.

Comet, the electricals chain which sank into loss last year, improved sales by 22 per cent, although this was from a low base. The chain is now re-

building lost market share and despite making a trading loss of £8.7m in the first half is now expected to make a modest profit over the full year.

Superdrug improved sales by 2.5 per cent with the move into health and beauty products continuing. However, sales at B&Q fell by 3 per cent, with kitchen sales poor. Sales at Darty, the French group, were 3.8 per cent down on a like-for-like basis, although the company said this was due to the French strikes, which disrupted pre-Christmas sales.

Shares in Body Shop fell 1p to 151p when it said like-for-like sales for the 10 weeks to December were unchanged.

The chairman, Gordon Roddick, said: "Retail sales in the

USA have not yet shown the consistent improvement we are seeking, having been affected by the difficult retail climate there during the Christmas period." The company released no fresh information on the Roddicks' plan to take it private.

JJB Sports continued its spectacular run, with sales in the 47 weeks to Christmas Eve 17.8 per cent higher than the same period last year.

The company now has 148 stores, including five out-of-town superstores. Seven new high street stores and 15 out-of-town shops will open this year.

Having avoided opening stores in London so far due to concerns over high staff turnover and theft, JJB is now hoping to open several central London stores in the next six months.

JJB shares, priced at 215p when it came to the stock market 14 months ago, closed 20p higher yesterday at 618p.

The company is now valued at more than £180m. Mr Whelan, who founded the company with £400 in Wigan in 1971, still owns 60 per cent of the stock, together with his family. That stake is now worth £120m.

Alders said sales in its department stores were up 8.5 per cent in the 15 weeks to mid-January. Like-for-like sales, however, were up by just 1 per cent.



Flat: Anita Roddick of the Body Shop, where the Christmas period provided almost no growth and where trading in the US continued to pose problems

Gartmore says sale is still on

JOHN EISENHAMMER
Financial Editor

Gartmore, the UK fund manager, has moved to quash speculation that talks on selling it have collapsed. A terse statement issued by Phoenix Securities, which is handling the sale, said Banque Indosuez of France continues to seek to sell its 75 per cent shareholding in the fund manager and is "in contact with a number of potentially interested parties".

But the statement also conceded that the sale was proving more difficult than initially expected, and that "discussions with a number of parties had not at this stage resulted in an offer being made". Last September, when Indosuez first announced its intention to sell, Paul Meyers, executive chairman of Gartmore, said the deal would be over by Christmas.

Instead, several initial British aspirants, such as BAT and NatWest Group, pulled out at an early stage. The last remaining UK hopeful, Prudential, has also grown cool, insiders say. The running is now mainly being made by Continental banks and insurers, but the pace has slowed to a crawl.

The statement was mainly prompted by the dismissal on Monday of Indosuez's president, Jean-Francois Lepetit, and suggestions that his successor would reverse the decision to sell the Gartmore stake.

IN BRIEF

ITN in talks on London News Radio

GWR, the commercial radio station, and ITN, maker of ITV's *News at Ten* programme, are in talks with Reuters over the possible purchase of London News Radio, sources said. The news follows the collapse recently of a management-led buyout team that had been negotiating to take over the struggling station. ITN is believed to be interested in protecting its Independent Radio News franchise, while GWR is exploring acquisitions throughout the commercial radio sector, following its purchase last year of Chiltern.

Cable firms set to invest £2.2bn

British cable companies expect to invest about £2.2bn and create over 2,000 jobs during 1996, according to an industry association forecast. Next year will see record levels of cable construction, with another 2.7 million homes passed, bringing the total to around nine million homes by the end of the year – or about 45 per cent of all homes in the UK, the Cable Communications Association said.

Separately, Nyxer Cablecomms said it had total revenue for the year to December 1995 of £85m, 107 per cent ahead of the year before. TeleWest, the largest cable operator announced a cut-rate telephone service for its areas, promising discounts of 15 per cent off BT's rates.

Banks and small firms 'getting on better'

The Bank of England said yesterday that relations between banks and small firms had improved significantly since a bitter row two years ago over allegations that the banks were not passing on interest rate reductions to their small business customers. Small business organisations said late payments and excessive reliance on overdraft finance remained significant problems. They expect relations to deteriorate again if the economic slowdown continues.

Welsh Water agrees to separate listing

Welsh Water has agreed to demands by the regulator, Ian Byatt, for a separate listing of shares in its core water business on the London Stock Exchange. Mr Byatt wanted a listing of ordinary shares as part of the conditions for the proposed takeover by Welsh Water of South Wales Electricity but has accepted instead the issue of new preference shares and a series of other undertakings to ensure that the regulated water business is ring-fenced. The bid could however still be referred to the Monopolies and Mergers Commission by the Office of Fair Trading.

British Gas buys Fiat oil interests

British Gas has acquired for around £20m the oil and gas interests of Fiat RIMI, which includes 50 exploration and production licences in Italy. The portfolio covers acreage in the Southern Apennines, an area where large oil accumulations have been found. British Gas said that following the transfer, most of the gas production would still be sold to the Fiat Group, which is already a partner to the UK company in a programme of combined heat and power generating projects in Italy.

Police move in at Wainhomes

TOM STEVENSON
City Editor

The police moved into a subsidiary of recently floated housebuilder Wainhomes yesterday to investigate alleged valuation irregularities, over-invoicing and theft. The company, which responded to the crisis by dismissing its chief executive, also issued a profits warning. Its shares plunged 38 per cent.

The cost of the accounting irregularities, estimated at £2m by the company, will blow a hole in profits which reached £10m in the year to last March but have been under pressure this year as a result of the stagnant housing market.

Gavin Reed, chairman, said the dismissal of Ron Smith was not directly related to the police investigation into Wainhomes Northern but he was unequivocal about the reasons for the chief executive's departure: "In view of the board's loss

of confidence in him generally, Mr Smith has been dismissed and will cease to be a director of the company."

Industry sources said they believed two employees at the division had already been sacked and two more suspended. Further dismissals at the highest levels within Wainhomes Northern are expected this week.

Bill Ainscough, founder of what is now the Northern division in 1972 and deputy chairman, will take over as chief executive and will conduct a full review of the company's internal controls.

A senior figure at a rival housebuilder said it was extremely unlikely that the problems at Wainhomes Northern were restricted to that division.

He also pointed to possible conflicts of interest at the company where non-executive directors are among the largest shareholders. Trevor Hemmings, the former chairman,

owns 9.3 million shares, 15 per cent of the total, while Mr Ainscough, also a former chairman, owns 14.3 million shares, almost a quarter of the business.

The value of their combined holdings fell by almost £10m yesterday as Wainhomes shares, floated at 170p in March 1994, fell 41p to 68p. At that level, the company is valued at £42.4m.

Mr Smith joined the company in 1989 as chief executive and was paid £192,000 in the 12 months to March 1995. That represented a 35 per cent increase on the £142,000 he earned the previous year. He was on a two-year rolling contract, suggesting he could be in line for a compensation payment of almost £400,000. Negotiations are continuing.

The police investigation is understood to be focusing on the possibility of over-invoicing, whereby staff at the division colluded with outside suppliers or sub-contractors to create false

documentation. They are also looking into theft of building materials.

More damaging to the company's reputation in the City, however, is the suggestion by one source that the division's work in progress was deliberately overstated to enhance profits.

It is thought that shared costs, such as roads and sewers, did not appear in the accounts in the early years of a building site's expected life in the hope that rising house prices would hide the impact of higher cost of sales in subsequent years. When house prices stagnated, the discrepancy was discovered.

Analysts yesterday re-drew forecasts for the year to March to show a 40 per cent underlying fall in profits from £10m to £6.1m. After the cost of adjusting Wainhomes Northern's work in progress, profits are expected to emerge at just £4.1m half the level of forecasts before yesterday's news.

PIA to raise £15m for safety net

NIC CICUTTI

Radical plans to rescue the beleaguered Investors Compensation Scheme, the safety net for victims of fraud or bad advice, are set to be unveiled by a top financial regulator.

The Personal Investment Authority will call for an extra £15m to be raised from its members to help the compensation scheme in times of crisis.

The aim will be to prevent a repeat of last year's problems, where the Treasury was forced to step in and underwrite up to £17m of payments only hours before the scheme ran out of cash.

The extra money, which is expected to be levied in three annual tranches, will be in addition to existing funds raised by the scheme in April each year.

Sources said the £15m, once raised, could also be used to "smooth" yearly contributions to the ICS if any one annual bill is too large.

But the PIA's paper, to be published next week, is also believed to shelve proposals for a product levy, a small amount of money added to the cost of every policy sold, as too impractical to operate.

Despite protests from many financial advisers, who fear they could be left to foot the bill alone, the PIA will stand by its policy of refusing to use the

money raised to pay compensation for pension mis-selling.

Garry Heath, chief executive of the IFA Association, the financial advisers' trade body, said: "We have suggested pre-funding the scheme by surrendering a proportion of our commission earnings, so this would appear to be close to our position."

"I am nervous, however, that they have not grasped the nettle of pension transfers yet," Paul Since, head of the ABI's life insurance section, said: "We will be looking at the proposals carefully. What we still need is a regulatory system that prevents the need for people to have to be paid compensation."

The PIA's consultation document follows mounting concern over funding of the compensation scheme.

At present, the scheme pays out to investors and then levies regulators for the amount.

The PIA, which usually meets the vast majority of each year's bill, does so by a system of cross-funding between members. But it was forced to suspend payments, triggering the Treasury's intervention, after being challenged in court by an insurer.

Its new proposals include using the same cross-funding formula to meet the maximum £100m it is liable for in any one year, double the previous amount.

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THE INDEPENDENT
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THE INVESTMENT COLUMN

Edited by TOM STEVENSON

First Leisure lays gloom on thick

Gaining a reputation for being the best management in the sector can be a mixed blessing when things do not progress as quickly as the market had hoped. Yesterday's full-year figures from First Leisure were pretty impressive in the context of flagging consumer demand, a hot summer and the competitive challenge of the National Lottery, but the shares still closed 19p lower at 349p.

That was the first big setback in a lucrative year for First shareholders, who have seen their holdings appreciate by more than 50 per cent since the beginning of 1995.

Partly it reflected disappointment at pre-tax profits which, at £40.1m for the year to October, were about £1m lower than some brokers had forecast. But mainly it was due to the gloomy tenor of chief executive John Conlan's comments on consumer spending during the rest of 1996.

Although lower than expectations, the profits achieved during the year were still 7 per cent better than a year earlier, a doubly impressive performance in the context of First's ultra-cautious accounting policies with regard to new developments – the more the company expands the bigger the hit to profits.

Against that background, First did extremely well to increase earnings per share by 6 per cent to 16.9p (excluding last year's asset disposal profits), allowing a 10 per cent rise in the full-year payout to 7.72p.

Analysts think Mr Conlan, a well known Jeremiah, is actually laying it on a bit thick with regard to consumers continuing refusal to dip into their pockets. They are anticipating a noticeable rise in consumer confidence in the run-up to the next election. That will flow straight through to First's low-ticket leisure activities.

Whatever the short-term outlook, First Leisure is pursuing an eminently sensible strategy, using its cash-generative core businesses of bowling, theatres and resorts to fund the rapid roll-out of new formulas such as health and fitness centres, bingo halls, discos and themed bars.

The cost of moving into new areas was shown most clearly by the bingo division where, despite a rise in sales by 58 per cent to £15.5m, profits slipped by 14 per cent to £1.9m. Dancing, however, managed to shrug off the effects of expansion, generating a 17 per cent increase in profits to £17.8m from discotheques from a 14 per cent increase in turnover.

The real impact of all the spending last year and this, of course, will not show through to profits until probably 1998, right at the horizon of most in-

vestors' short-term plans. That puts the shares, on a prospective price/earnings ratio of 18 (on forecast profits this year of £45m), at a demanding 30 per cent premium to the market. The best of the run is over for the time being but the shares remain a good long-term hold.

Gas problem can be solved

The political manoeuvring over British Gas's notorious "take or pay" supply contracts has intensified in the past week, increasing the worry for thousands of private shareholders who have seen the value of their investments dwindle since last summer.

On Friday it was reported that the gas giant was considering involving banks in a plan to mount an enormous buyout of the contracts, said on one estimate to be worth £40bn over 25 years. This week, the company's difficulties were underlined by a report that the regulator, Clare Spottiswoode of Ofgas, would not take account of the contract problems during the current review of both gas supply and transportation charges.

Much of this looks like posturing between the parties in the negotiations between British Gas and the North Sea oil companies. But the stakes are high. The scale of the problem was demon-

strated last year, when the company said the take or pay deals had resulted in it forking out £520m for gas it did not use during 1995. If Ms Spottiswoode decides to be tough in her current reviews, the effect could be further devastation to British Gas's profits.

One estimate suggests that the company's TransCo pipeline and storage operation alone could see £1bn sliced off revenues and profits over the three years to 1997. Further damage would be inflicted if the regulator decides to cut British Gas's ability to pass through high gas costs to consumers.

It is hard to pin down who is to blame, but the Government must share some of the opprobrium. It wrongfooted nearly everyone by accelerating deregulation of the domestic market, due to begin in April. As well as a statutory duty to ensure the players in the new deregulated market are financially viable, it therefore has a moral duty to British Gas and the many small shareholders enticed into the 1986 privatisation.

Neither the buyout plan nor a suggested levy on consumers looks politically acceptable. But a solution is by no means impossible. The £40bn estimate of the buyout cost is based on a 10p gap between contract and spot gas prices. The difference in British Gas's costs is more like 3p to 4p, which would cut the bill to a much more bridgeable figure nearer £3bn on a discounted basis. A gloomy tale, but despite profit es-

timates cut to around £830m for last year, the shares, down 12p at 255.5p, are still worth holding on a p/e of 13. The yield of 7.1 per cent is attractive and the possibility of a takeover cannot be totally ruled out.

Budgens' niche looks vulnerable

Budgens' management must be pleased with the decision to abandon its budget format last year. It was a costly move, which involved selling unwanted stores to Lidl of Germany and converting others into the standard Budgens format. It also wrecked the company's full-year results in July and sparked a spectacular falling out with its big German shareholder.

Half-year results announced yesterday, however, showed that the company is finally starting to put its ill-fated dabble with discounting behind it. Pre-tax profits for the six months to November jumped from £1.9m last year to £4.3m this time.

Like-for-like sales figures have also motored ahead and were up 4.5 per cent on the same period last year.

Significantly, the company has not been buying higher sales by giving away margin. Operating margins have improved due to Budgens' membership of a £3bn buying co-operative which is attracting new members and a decision to devote more space to fresh foods, which yield higher margins.

The company hopes that its new Budgens Visa card, launched yesterday, will help improve loyalty and drive sales. The company insists it will not hit margins, though it declines to say how.

Budgens also insists that it is not caught in no man's land between the Continental discounters and the big superstore groups. Its niche, it says, is as a "top-up shop" which complements the others.

This may be true but it leaves the group vulnerable to attack. A Kwik Save assault on fresh foods would hurt. And Safeway is poaching more and more family shoppers from Budgens' back yard. The problem here is that once a store loses primary shoppers it has to work twice as hard to replace them with secondary customers.

A good set of results, then, but not enough to generate real excitement. With NatWest forecasting full-year profits of £7.5m, upgraded from £5.8m, and with the shares up a penny to 34.5p, compared with net assets of around 31p, on a forward rating of 11 the shares look no more than a hold.

Simon Pincombe CITY DIARY

Bono of contention over 'Guardian' ad campaign

Creative tensions in the highly strung world of advertising where one of the country's top directors of pop videos is accusing the *Guardian* newspaper and its agency of piracy. The director, Mark Neale, is noted for his work with U2 and is claiming the *Guardian*'s current television campaign to be a "blatant steal" of earlier work he did for the Irish musicians. He is demanding immediate satisfaction from the paper and its agency, Leagas Delaney, and has enlisted the support of Bono and the other band members.

The *contrabands* developed after the video director presented a show reel to the *Guardian*'s agency, which was doing the groundwork for the paper's new commercial. He alleges that the creative team then "ripped off" bits of the reel (which included scenes from U2's Channel 4 special) and accuses it of "outright theft of intellectual property".

Not that our video director knew anything about it. Until, that is, he saw the *Guardian* advertisement on television and was overcome by a sudden feeling of *déjà vu* (allegedly).

U2's view is that imitation is the sincerest form of flattery but they have nevertheless given their blessing to any action to redress the alleged plagiarism.

The inaugural explosive in the hallowed pages of the *Financial Times* did not make it past the second edition yesterday. The offending "F" word was swiftly removed from an interview with Kelvin Mackenzie, head of broadcasting at the Mirror.

The Granada camp is incensed at the heavy influence being wielded by the Forte family with its friends in the fourth estate. Advisers to the leisure group complain that its £3.8bn bid for Forte is being undermined by a press campaign led by the *London Evening Standard*, whose new editor, Max Hastings, is a shooting buddy of Sir Rocco Forte.

"That is just the half of it," complains one adviser. "We have also had hostile pieces by William Shawcross in the *Financial Times* (married to Sir Rocco's sister, Olga Polizzi) and by Henry Porter in the *Daily Telegraph* (a good friend of Ms Polizzi)."

Time for Gerry Robinson to marry a journalist.



Flattered: Bono of U2, who backs his video director's claims

Group, leaving most readers unaware of just how hilarious the former *Sun* editor finds the news bulletins on his TV station. Those who bought the earlier editions were left in absolutely no doubt that the colourfully spoken Mr Mackenzie found the bulletins very hilarious indeed. However, readers of the later editions were treated to the sanitised: "It is hilarious. You can't watch the news because you laugh so much."

The missing explosive was probably borrowed by the night editor who discovered the original piece.

Election fever at the Institute of Chartered Accountants in England and Wales (ICAEW), where Sheila Masters, a partner with KPMG, is again standing for the office of vice president. One of the great and the good in the public sector, Ms Masters is making much of her "numerous government contacts" and her membership of the Court of the Bank of England.

Such is her profile that it was remarked during her last campaign that the institute vice presidency would be a "bit of a step down for her given that she is already running the country."

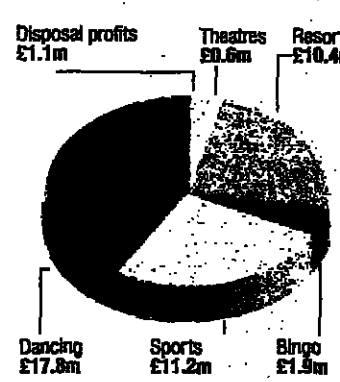
Tuesday night's party to celebrate the demise of the Central Statistics Office was buzzing with the Deputy Prime Minister's gate in leaking the employment figures. The number crunchers now agree that Michael Heseltine should be struck off the advance circulation list of the new Office for National Statistics forthwith.

First Leisure: at a glance

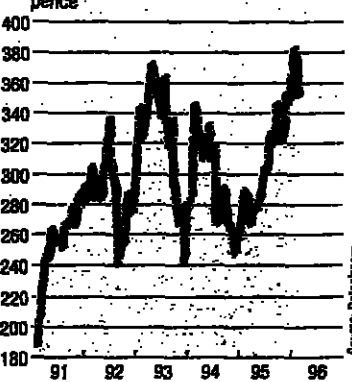
Market value: £570.3m, share price 349p

Five-Year record	1991	1992	1993	1994	1995
Turnover (£m)	29.8	30.0	32.7	37.5	40.1
Pre-tax profits (£m)	29.8	30.0	30.7	37.5	40.1
Earnings per share (pence)	15.1	14.3	15.6	17.6	16.9
Dividends per share (pence)	5.7	6.1	6.5	7.0	7.7

Operating profit by activity



Share price



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There are more than 100 Minotel hotels participating in this offer and they are located throughout England, Wales and Scotland. In yesterday's paper they were listed and briefly described. All hotels offer top-class comfort and pride themselves

on providing a personal service that many larger establishments cannot match.

To qualify for your 2 For 1 break, you must collect FOUR differently numbered tokens from the seven we are printing and attach them to a voucher which we will print in Saturday's edition of *The Independent* with details on how to book. Today we print Token 5.

Pictured above is the Glendruith House Hotel in Inverness-shire. This quiet hotel surrounded by extensive grounds overlooks the Moray Firth. The residents-only dining room serves fresh local produce. A double room for one night costs £90.

We will feature another hotel tomorrow in *The Independent* and give you a sixth token.

Pictured is Glendruith House Hotel, Inverness-shire

TERMS AND CONDITIONS

- To participate in our 2 For 1 offer you must collect 4 differently numbered tokens and attach them to a voucher which will be printed on the first day of the offer, Saturday 20 January along with a confirmation booking form.
- The voucher may be redeemed at any participating Minotel hotel featured in *The Independent*'s directory (printed on Wednesday 17 January) for one free night's bed and breakfast for two people in a standard twin or double bedded room when a second night's bed and breakfast is pre-purchased at the tariff indicated. All prices shown are per room per night.
- Some hotels, at the proprietors' discretion, will accept the voucher for longer stays on the same 2 For 1 basis, so you can stay for 4 nights for the price of 2 for example. Please check with your chosen hotel when making your booking.
- The voucher does not cover payment for any other meals or service that may be requested by the holder and cannot be used with any other offer, saving or discount that may be available at the hotel.
- One child, under the age of 12 years at the time of booking and sharing a room with two adults will be accommodated free of charge but all meals, including breakfast, will be chargeable. The descriptions and prices contained in this offer have been supplied by par-

ticipating hotels. While every effort has been made to ensure their accuracy prior to publication, no responsibility can be taken by Newspaper Publishing plc, Charterhouse Promotions or Minotel for any error, omission or change that may take place afterwards without notice. You are therefore advised to check all relevant details with your chosen hotel prior to making a reservation. No bookings will be accepted for Bank Holiday periods.



IN BRIEF

Loyalty cards pay off for Tesco

Tesco's sales have risen sharply on the back of its loyalty card, which has more than 6 million members. In the 20 weeks to the end of December, Tesco's like-for-like sales were 5.5 per cent ahead of the same period last year. This was better than the industry average of 5.6 per cent. Christmas sales were also strong with like-for-like sales up by 10 per cent.

The figures exclude William Low, the Scottish chain, which increased sales by 20 per cent in the 20 weeks to 30 December.

Nobo warns sales below forecasts

Nobo, the office equipment maker, warned that sales in November and December, while slightly ahead of last year, were below expectations in the UK and more so in France. The slowdown in growth followed a 53 per cent rise in sales in the six months to October, largely due to the acquisition of De Visu, a group of French companies. Pre-tax profits in the first half year suffered from increasing competition from large, predominantly American distributors and a higher interest charge.

China joint venture for Unilever

Unilever, the Anglo-Dutch consumer group is strengthening its industrial detergents activities in China through a new joint venture. Lever's industrial division in Hong Kong will merge with Weiss, which has eight branch offices across China.

Fairey makes \$75m US acquisition

Fairey, the industrial electronics and specialist engineering group, has agreed to buy Particle Measuring Systems of Boulder, Colorado for \$75m. It is issuing 893,000 shares to the vendors and a further 7 million, underwritten by Cazenove, at 25p. The deal is expected to be earnings enhancing in 1996. PMS has a large share of the world market for instruments to detect microcontamination.

Racing profits fall at Stanley Leisure

Profits from Stanley Leisure fell, as expected, to £6.1m from £7.6m, in what Leonard Steinberg, chairman, called "the worst six months in racing which I can recall". Operating profits from the racing division fell from £5.6m to £2.8m. The casino division increased profits by 23 per cent to £4.6m after a rise in "drop" per head.

Dudley Jenkins unveils profit rise

Dudley Jenkins, the direct mail to computer processing group, is celebrating its quarter century with a strong rise in profits. Despite the impact of heavy investment in a new consumer database, it has unveiled a 10 per cent rise in the pre-tax total to £565,000 in the six months to October.

Cortec developing ulcer vaccine

Cortec International, the Australian biotech company with a London quote, has announced its third R&D syndication. The deal, worth A\$5.5m (£1.2m) over three years, is to fund further development of its oral therapeutic vaccine against one of the main causes of peptic ulcers.

COMPANY RESULTS				
	Turnover £	Pre-tax £	EPS	Dividend
Budgens (Q)	183m (150m)	4.3m (0.9m)	2.1p (0.4p)	0.35p (0.2p)
Dudley Jenkins (Q)	9.12m (7.77m)	0.57m (0.51m)	3p (2.85p)	1.15p (1.1p)
First Leisure (Q)	199m (142m)	40.1m (27.5m)	17.84p (15.59p)	7.05p (7.02p)
Rich Continental (Q)	91.16m (81.77m)	11.1m (9.3m)	42.7p (40.2p)	4.5p (4.8p)
Waco Group (Q)	23.6m (15.2m)	0.88m (1.02m)	4.01p (5.72p)	2.2p (2.2p)
Photo-Me Ltd (Q)	104m (96.3m)	10.1m (10.0m)	8.54p (8.62p)	1.5p (1.5p)
Stanley Leisure (Q)	184m (184m)	7.6m (6.1m)	9.53p (7.32p)	2p (2p)
UK Lend (Q)	- (-)	0.99m (0.35m)	6.1p (4.5p)	nil (nil)

(Q) - Final (Q) - Interim (Q) - Nine months

World-wide slump strikes Prudential

NIC CICUTTI

Prudential, the UK's largest life insurer, revealed yesterday the stark effect of a world-wide slump in its sales of insurance products as it announced that its single-premium income dropped by 11 per cent in 1995 to about £4.4bn.

World-wide sales of the Pru's regular premium life and pension products also fell by 3 per cent, to £500m.

But the company claimed that, despite the sales fall, there were some signs of a recovery in the life and pensions market. Results in the fourth quarter showed the Pru's premium income was about 10 per cent up on the previous three months.

The recovery throughout the latter part of last year was also apparent in the UK, the company claimed, with life and pension sales up in the last three months of the year compared with the same period a year earlier. Peter Davis, group chief executive, said: "I am encouraged that in difficult markets the UK sales continued to show signs of improvement."

The company's view reflects a survey jointly carried out by the Confederation of British In-

dustry and Coopers and Lybrand, which predicted a pick-up in business next quarter.

Prudential's investment product sales, however, fell last year, with regular premium investments down from £96m to £36m. One-off sales tumbled from £251m in 1994 to £111m last year. In Britain, sales of annual and regular premium life and pension products dropped by 8 per cent to £244m and £2m respectively.

The decline was particularly marked in the unit trust and PEP business, where income fell from £168m to £61m. The collapse in confidence in the Pru's unit trusts and Peps was even starker among independent financial advisers, who steered just £17m of their clients' money towards the Pru, down from £61m in 1994. The company did succeed in tapping into the market for pensions annuities, where sales for 1995 were up 39 per cent to £590m.

New premium figures for General Accident Life in 1995 fell 26.2 per cent into £33.6m in 1995, while annual premiums as a whole were down 20.7 per cent to £42.3m. However, the company's new single premiums rose 60 per cent to £893m.

French unrest will damage Photo-Me

The recent widespread strikes in France will cut profits this year at Photo-Me International, writes Magnus Grimond.

The photo booth operator said yesterday that the industrial unrest had resulted in a significant reduction in sales at the French subsidiary, jeopardising an expected profits improvement in the second half.

As a result profits for the year to April could be 5 to 10 per cent below last year's figure of £14.5m. The news, which accompanied almost flat interim profits of £10.1m, disappointed the market and Photo-Me's shares slid 8p to 125p yesterday.

However, the managing director, David Miller, remains confident that the foundations have been laid for growth. Capital investment on the new generation of PhotoVision booths was stepped up from £8m to £13.5m in the first half.

The first half profits compared with £10m in the comparable period of 1994. Sales rose 8.4 per cent to £104m. The company blamed an 80 per cent rise in foreign exchange differences to £879,000 and a 13 per cent increase in net interest payable to £146m for restraining profits.

The release of tax provisions helped earnings per share rise 3.7 per cent to 8.94p, out of which Photo-Me is paying a maintained interim dividend of 1.5p.

Foreign Exchange Rates

STERLING			DOLLAR			D-MARK					
Country	Spot	1 month	3 months	Country	Spot	1 month	3 months	Country	Spot	1 month	3 months
US	15325	92-11	93-30	UK	10394	0-3	0-6	FR	08822		
Canada	22043	92-10	93-10	Germany	14546	25-24	25-24	Italy	09000		
Germany	22445	92-10	93-14	France	14546	32-27	32-27	Japan	09000		
France	22445	92-10	93-14	Japan	14546	32-27	32-27	Spain	09000		
Japan	22445	92-10	93-14	Italy	14546	32-27	32-27	Sweden	09000		
Italy	22445	92-10	93-14	Spain	14546	32-27	32-27	Switzerland	09000		
Spain	22445	92-10	93-14	Sweden	14546	32-27	32-27	Belgium	09000		
Sweden	22445	92-10	93-14	Switzerland	14546	32-27	32-27	Netherlands	09000		
Switzerland	22445	92-10	93-14	Belgium	14546	32-27	32-27	Ireland	09000		
Belgium	22445	92-10	93-14	Netherlands	14546	32-27	32-27	Norway	09000		
Netherlands	22445	92-10	93-14	Ireland	14546	32-27	32-27	Denmark	09000		
Ireland	22445	92-10	93-14	Norway	14546	32-27	32-27	Finland	09000		
Norway	22445	92-10	93-14	Denmark	14546	32-27	32-27	Portugal	09000		
Denmark	22445	92-10	93-14	Finland	14546	32-27	32-27	Greece	09000		
Portugal	22445	92-10	93-14	Portugal	14546	32-27	32-27	Turkey	09000		
Greece	22445	92-10	93-14	Turkey	14546	32-27	32-27	South Africa	09000		
Turkey	22445	92-10	93-14	South Africa	14546	32-27	32-27	India	09000		
South Africa	22445	92-10	93-14	India	14546	32-27	32-27	China	09000		
India	22445	92-10	93-14	China	14546	32-27	32-27	Hong Kong	09000		
China	22445	92-10	93-14	Hong Kong	14546	32-27	32-27	Singapore	09000		
Hong Kong	22445	92-10	93-14	Singapore	14546	32-27	32-27	Malaysia	09000		
Singapore	22445	92-10	93-14	Malaysia	14546	32-27	32-27	Thailand	09000		
Malaysia	22445	92-10	93-14	Thailand	14546	32-27	32-27	Philippines	09000		
Thailand	22445	92-10	93-14	Philippines	14546	32-27	32-27	Indonesia	09000		
Philippines	22445	92-10	93-14	Indonesia	14546	32-27	32-27	Brunei	09000		
Indonesia	22445	92-10	93-14	Brunei	14546	32-27	32-27	Myanmar	09000		
Brunei	22445	92-10	93-14	Myanmar	14546	32-27	32-27	Laos	09000		
Myanmar	22445	92-10	93-14	Laos	14546	32-27	32-27	Cambodia	09000		
Laos	22445	92-10	93-14	Cambodia	14546	32-27	32-27	Vietnam	09000		
Cambodia	22445	92-10	93-14	Vietnam	14546	32-27	32-27	North Vietnam	09000		
Vietnam	22445	92-10	93-14	North Vietnam	14546	32-27	32-27	South Vietnam	09000		
North Vietnam	22445	92-10	93-14	South Vietnam	14546	32-27	32-27	East Timor	09000		
South Vietnam	22445	92-10	93-14	East Timor	14546	32-27	32-27	West Bank	09000		
East Timor	22445	92-10	93-14	West Bank	14546	32-27	32-27	Gaza Strip	09000		
West Bank	22445	92-10	93-14	Gaza Strip	14546	32-27	32-27	Jerusalem	09000		
Gaza Strip	22445	92-10	93-14	Jerusalem	14546	32-27	32-27	Hebron	09000		
Jerusalem	22445	92-10	93-14	Hebron	14546	32-27	32-27	Nablus	09000		
Hebron	22445	92-10	93-14	Nablus	14546	32-27	32-27	Tulkarm	09000		
Nablus	22445	92-10	93-14	Tulkarm	14546	32-27	32-27	Ramallah	09000		
Tulkarm	22445	92-10	93-14	Ramallah	14546	32-27	32-27				

OTHER SPOT RATES

Country	Spot	Country	Spot	Country	Spot
Argentina	1590	Guatemala	1000	Uruguay	2100
Australia	13768	Honduras	1000	Venezuela	2100
Canada	10394	India	1000		
Chile	12392	Indonesia	1000		
Colombia	10394	Japan	1000		
Cuba	10394	Malaysia	1000		
Egypt	10394	Philippines	1000		
France	10394	Portugal	1000		
Germany	10394	Spain	1000		
Ghana	10394	Sweden	1000		
Greece	10394	Switzerland	1000		
Hong Kong	10394	Thailand	1000		
India	10394	Turkey	1000		
Indonesia	10394	USA	1000		
Italy	10394	UK	1000		
Japan	10394				
Malaysia	10394				
Philippines	10394				

Notes: Forward rates quoted here are for 3 months. *Other rates quoted on request. **For 1 month. ***For 6 months. ****For 1 year. *****For 2 years. *****For 3 years. *****For 4 years. *****For 5 years. *****For 10 years. *****For 15 years. *****For 20 years. *****For 25 years. *****For 30 years. *****For 35 years. *****For 40 years. *****For 45 years. *****For 50 years. *****For 55 years. *****For 60 years. *****For 65 years. *****For 70 years. *****For 75 years. *****For 80 years. *****For 85 years. *****For 90 years. *****For 95 years. *****For 100 years. *****For 105 years. *****For 110 years. *****For 115 years. *****For 120 years. *****For 125 years. *****For 130 years. *****For 135 years. *****For 140 years. *****For 145 years. *****For 150 years. *****For 155 years. *****For 160 years. *****For 165 years. *****For 170 years. *****For 175 years. *****For 180 years. *****For 185 years. *****For 190 years. *****For 195 years. *****For 200 years. *****For 205 years. *****For 210 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sport

Mind game gets better of Henman

Tennis

If recognising his own inconsistency when faced with the sport's leading men will be of long-term benefit to Tim Henman then the Briton's 6-1, 6-3, 6-2 defeat by Jonas Björkman, of Sweden, yesterday will have not been a complete disappointment.

The 21-year-old's lacklustre display in the second round of the Australian Open at Melbourne contrasted sharply with his stirring opening victory over Petr Korda. Henman was expected to make Björkman work hard for victory at the very least, having swept aside the world No 26 in four sets.

Henman, however, never approached Monday's heights, holding only one of his first seven service games and succumbing to defeat in only 87 minutes. Despite his poor showing, Henman was far from discouraged, and declared that his lapse in form could be attributed in part to his mental attitude when meeting the sport's top players.

"I think I must now improve my consistency against top-ranked players," Henman conceded. "I know I can play one good match, but after playing one I need to play a second. At least I've recognised the problem."

Andre Agassi, who nearly limped out of the tournament on Monday, found his stride to skip confidently past Vince Spadea in straight sets. The world No 2, now without strapping on his inflamed right knee, started uncertainly but grew in confidence as he brushed aside any doubts about the injury.

The only blemish on his 6-4,

6-2, 6-3 victory came in the sixth game of the third set when he was given a code violation for verbal abuse after problems with his serve allowed Spadea to pull back from 40-15 down. Agassi, however, regained his composure to take the game after Spadea wasted two break points, and reeled off the next three games to take the match in just under two hours.

Agassi, who injured his knee when he fell down a staircase at his hotel, struggled for mobility in his five-set battle with the unknown Argentinian qualifier Gaston Ellis on Monday. But the Las Vegas confirmed after his victory over Spadea that his knee had responded to treatment. "It is definitely a lot better today than it was, and I was moving close to par," Agassi said. "By the next match it should be 100 per cent."

Agassi's warm reception at the end of his match was nothing compared with the standing ovation earlier afforded Stefan Edberg, who bowed out of the event for the last time. Despite the passionate support of a packed court, the Swede, who has twice won the Open and will retire at the end of this year, was beaten in a five-set second round duel by the French qualifier, Jean-Philippe Fleurian.

Agassi's victory completed a successful day for the Americans. Of the seeds, Michael Chang defeated Jakob Hlasek in straight sets, while the unseeded Patrick McEnroe recovered a two-set deficit to beat the 14th seed, Andrei Medvedev. They were joined by the 15th seed, Todd Martin, and Jim Courier, the eighth, who beat Jeff Tarango.

Tarango calls foul on Courier

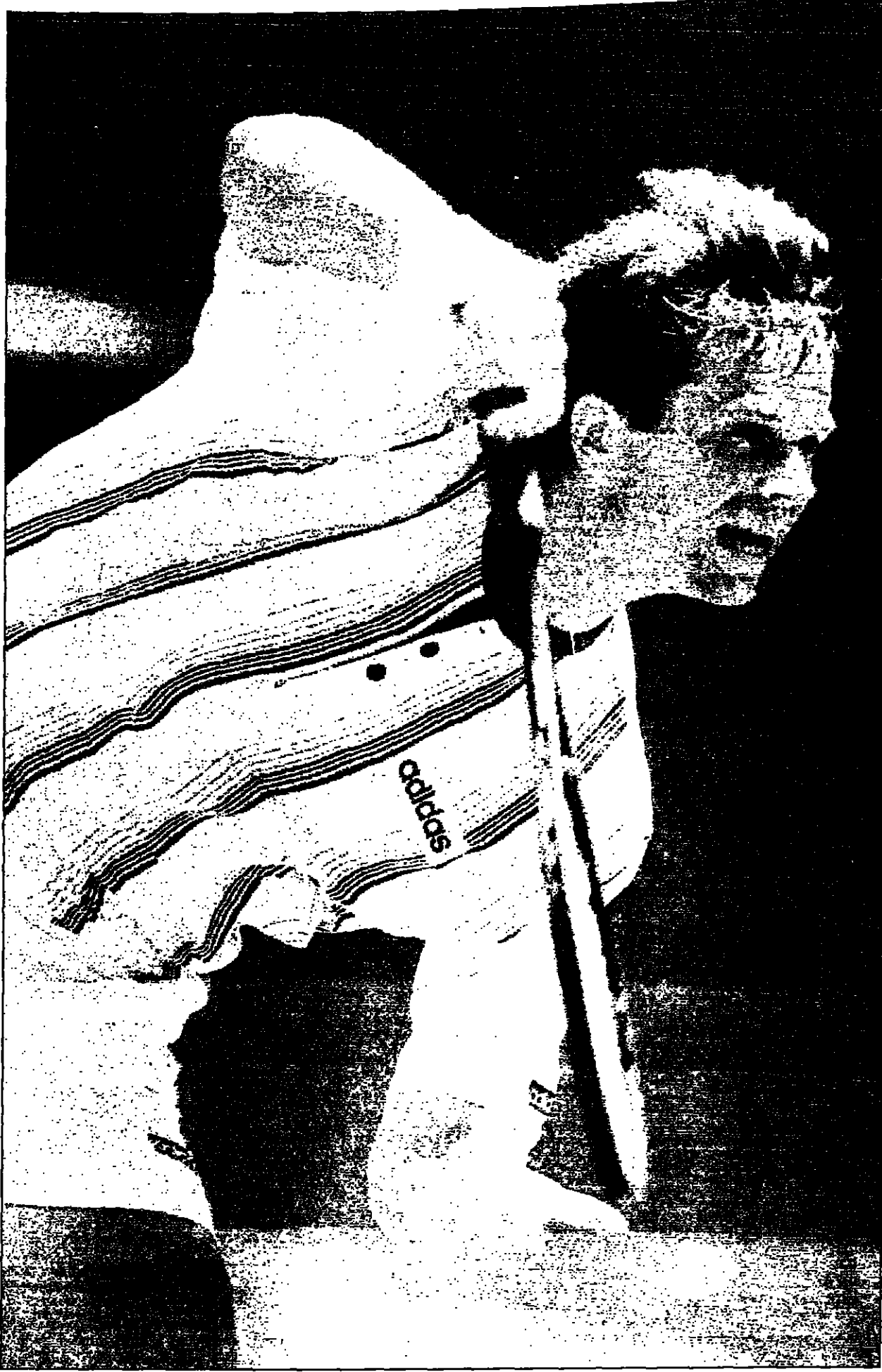
The temperamental time bomb that is Jeff Tarango exploded again yesterday at the Australian Open when the tetchy American challenged officials to cite opponent Jim Courier for, of all things, swearing.

Tarango, who walked out of Wimbledon last year after a heated exchange with an official, made repeated appeals to the

umpire, including a dare for him to cite Courier for foul language, before losing in four sets.

"I was just asking how many times somebody needs to do that [swear] before he is warned," said Tarango, suggesting he was being treated differently to the world No 8.

Courier will meet Todd Woodbridge in the third round.



Swede cedes: the strain tells on Stefan Edberg in the Australian Open yesterday

Photograph: Phil Cole/Allsport

BSkyB wins support of promoters

Mike Rowbottom on a split developing between politicians and administrators over the coverage of sport on television

Sporting administrators spoke out yesterday in defence of BSkyB television, whose hopes of buying up exclusive rights to top events are generating cross-party opposition in Parliament.

But, in a seminar on the future of sport and television yesterday at the Queen Elizabeth II Conference Centre, Westminster, which was set up by BSkyB, the company's policy was criticised by a number of MPs. Labour has already announced it will back an amendment to the Broadcasting Bill in the House of Lords next month which is intended to ensure that key sporting occasions are safeguarded for the main terrestrial television channels.

Terry Blake, marketing manager for the Test and County Cricket Board, spoke of the benefits to the game of the £60m deal it has signed with BSkyB, compared with 1989 television revenue of under £1.5m.

"We have doubled our exposure from 300 to 600 hours while still maintaining 250 hours on BBC," he said. "We have a major investment programme underway, but we will not be able to fund it without this kind of money from television."

Mike Smith, of the Basketball League, Sam Hammam, chairman of Wimbledon, and Frank Warren, the boxing promoter, all added their voices of support for BSkyB. David Elstein, BSkyB's head of programming, said that of the 10,000 hours broadcast by Sky Sports last year, less than 0.5 per cent represented material transferred from ITV or BBC. He said his company had attracted three and a half million subscribing homes - equivalent to 10 million people.

David Dein, vice-chairman of Arsenal and a Premier League representative on the FA Council, questioned whether it was fitting for MPs to determine how sport sold its own television rights. "Do we really need the help of the politicians?" he asked. "Isn't their role that of a watchdog after sporting bodies have made their own decisions?"

But Michael Cartiss, Conservative MP for Great Yarmouth, who first expressed his impatience at the proceedings - "We have sat here for the last one and a half hours and heard about nothing but money, money, money" - defended the role of politicians in determining television legislation.

"Please don't question our right to decide because unlike you, we have been elected to do this job," he said. "Sport will die if it isn't watched by the millions and we as politicians have to consider that."

Nick Hawkins, MP for Blackpool South and chairman of the Conservative back bench sports committee, said his postbag was full of letters from people seeking assurances that there would still be major sporting events which did not go exclusively to satellite channels.

"You should recognise the very strong views of these people," he said. "Many of whom cannot afford Sky and some of whom face local restrictions over putting up satellite dishes."

Maurice Lindsay, the Rugby League's chief executive, urged MPs to proceed with caution. "Be careful, because you could damage the grass roots of sport by thinking that you are doing a public service," he said.

Lindsay pointed out that talented young players such as Denis Betts had left the British game because of poor rewards. "We couldn't afford to keep him," Lindsay said. "Our BBC contract was half a million a year and I couldn't do anything with it. I couldn't keep players, or invest in the junior game, or in schools development. Now I can."

But Nicholas Winter, Conservative MP for Macclesfield and chairman of the all-party Parliamentary media committee, joined Cartiss in criticising the debate's preoccupation with money. "The culture of this country appears to have been overlooked," he said, adding: "I do not believe that monopolies are a good thing."

SPORTS LETTERS

In praise of glorious Devon

From J Seecoomar

Sir, Bravo Devon! Ever since that first delivery with the second new ball went down the leg side in the final Test in South Africa, I prayed that Devon was wreaking his revenge. After all, he had been publicly and "mercilessly lynched and the opportunity would not come again."

I knew that this was a wasted prayer. For I had seen last-wicket pairs defy the world's best bowlers in my time, but it demonstrated the anger and humiliation I had felt every time he was openly whipped.

It really could not have escaped the attention of any thoughtful observer that the English cricket authorities seem to resent having to play non-white players in the national side.

They use them for a time, but then discard them at the earliest opportunity. How else can one explain the widely different treatment which Graeme Hick and Mark Ramprakash have received? And there is a roll of those who have gone before.

English cricket will continue to languish until those who control the game are prepared to recognise and nurture real talent. There is not a lot of it about in the country.

Yours sincerely,
J SEECOMAR
London NW2

Only joking

From S Mirghavamedin

Sir, May I be the first to suggest a replacement for the outgoing England football coach. My candidate has an uncanny knowledge of football tactics, plenty of experience at various levels, excellent at handling the media, and is free to take over in July. My candidate is of course Mr G Taylor. Not Yours.

SADRI MIRGHAVAMEDIN
London SW15

Letters should be marked "For publication" and should contain daytime and evening telephone numbers. They should be sent to Sports Editor, The Independent, 1 Canada Square, London E14 5DL. They may be shortened for reasons of space.

Questions of Sport

£40,000 to be won



Today we are giving you another sporting chance of an instant win. In Saturday's paper, there was a Questions of Sport multi-choice scratch card which, if you answer three sporting questions correctly, gives you the chance of an instant cash prize from £1 to £1,000. You don't have to be an obsessive fan to play - a good general sporting knowledge should suffice. But remember, you only get one chance to answer each question, so if you are in any doubt, check it out. The card contains eight games so you can play daily through to Friday 19 January. And as well as the daily instant cash prizes there is a weekly accumulator prize of £5,000. In this Saturday's Independent we will give you another Questions of Sport scratch card.

HOW TO PLAY

Today we are playing the section of the card dated Thursday 18 January. Below are three sporting questions, each with three possible answers coded as A, B and C. Scratch off your answer to Question Nineteen, either A, B or C in the Q19 column then repeat for Q20 and Q21.

THE QUESTIONS

Q19 What nationality is Sheffield Wednesday's Marc Degryse?

- A: Dutch
- B: Belgian
- C: French

Q20 When were the Olympic Games last held in Britain?

- A: 1908
- B: 1928
- C: 1948

Q21 Who scored 333 runs against India at Lord's in 1990?

- A: Graham Gooch
- B: David Gower
- C: Robin Smith

IMPORTANT

Scratch off ONE letter only for each question. If you reveal three identical cash amounts on any one section on any one day, you win that amount. After you have played the last game on your card, total the cash amounts you have revealed. If your total is £5,000 you win or share the £5,000 accumulator prize. You could also win today's instant prize of £100 by revealing an asterisk.

HOW TO CLAIM

If you have revealed three identical cash amounts of £5 or under, DO NOT PHONE. Take the claim coupon OR a piece of plain paper with your name and address on it PLUS the relevant section of the card to one of the newsagents listed below. For prizes over £5, phone 01254 683666 (Irish Republic 0044 1254 683666) between 10.30am and 4pm today. Participating newsagents: WH Smith, John Menzies, Forbushs, Martins/RS, McColl, Dillons, Gibbs, Macs, Supercigs, United News Shops, Star News, K Balfour, Eason, GT News, Paperchain - Village Store, Paper Shop. If you have any difficulty redeeming your card and coupon for a prize send both to: Independent Questions of Sport claims, PO Box 60, Burnley, BB10 1SH.

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Maureen Pearson from Horsforth, Leeds - £100
Roger Bryant from Clayton West, Huddersfield - £100
Raymond Thomas from Wirral, Merseyside - £100
Peter Penman from Otley, West Yorks - £50
Lyn Gray from Gargrave, Nr. Skipton - £25
Michael Wright from Wrexham - £25
Martina Shuttleworth from Leigh, Lancashire - £10

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Carling's dangerous philosophy of future

Rugby Union
STEVE BALE

Treating a Test in Paris as a means to an end rather than an end in itself smacks of dangerous philosophy, but Will Carling last night left no doubt of his and his England team's conversion to the belief that forward planning might just entail present defeat.

Not that the England captain necessarily expects it when he faces France at Parc des Princes at the opening of the Five Nations Championship on Saturday. Jack Rowell, the manager, did pose the question earlier in the season whether English rugby was willing to tolerate a setback or two as a team and style were developed and Carling seems to have given him his answer.

"It would be a great bonus to win another Grand Slam, but it's not No 1 on my list," he said after the England players had reacquainted themselves at Roehampton, where they will train again today before flying to Paris this afternoon.

"I want us to play to the best of our abilities and that may mean we don't win," Carling

went on. "This is a young side and we have to be realistic about setting goals. Our style of play is more important. If we are to be consistently successful against the southern hemisphere, then just focusing everything on winning another Grand Slam. If that was the case, we would have picked a different side."

Carling's captaincy has been perceived to be under pressure after England's aimless play in the matches against South Africa and Western Samoa, but Rowell was happy to report yesterday that it was the captain himself who had been laying down the tactical plans for this game and therefore, he might have added, taking on his responsibility.

Carling has made a hard choice. England have already done the Grand Slam three times in the Nineties, so a once-formidable achievement may be becoming old hat. However, the public response to the recent international has shown how badly people who have come to presume success take even relative failure.

Even so, Carling's men have made up their minds. "We sat down as a squad and said what is our most important goal, win-

ning a Grand Slam or developing a style of play that may take some time but will make us more successful? We said it was the style of play. We don't want to lose games, but long term is the most important thing."

Dean Richards will not after all play for England in Paris. Ben Clarke having declared himself fit after the muscle spasm in his pelvis which had made him doubtful. However, Richards will instead sit on the bench. Tim Rodber, relegated after the unimpressive win over Western Samoa, withdrew yesterday with a combination of knee and ankle injuries.

Such was the eulogistic response to the most-capped No 8's return to the squad last Sunday that it was hard to detect whether the management were pleased or not when Clarke pulled through. Those who had been talking about the advantages of having a rock-like character such as Richards on the field in France would now have to say England can do without him, if only because they must.

Neil Francis, the Irish second row, has overcome a chest infection and will play against Scotland at Lansdowne Road.

Lomu approached for World XV

STEVE BALE

Jonah Lomu, England's World Cup nemesis, could grace Twickenham for the first time in April if Leicester attract the quality of player they want for an inaugural match between England's champions and a world XV, from which the Tigers anticipate making £100,000.

Yesterday's announcement at Twickenham had been postponed from last Wednesday on the grounds that contractual matters had not been resolved, though it is widely suspected that both Leicester and the Rugby Football Union imagined that it was more elitist than the rank-and-file at last Sunday's RFU special meeting would tolerate.

In the end it made no difference to the delegates in Birmingham, who were determined to stick two fingers up at the governing body come what may.

That the fixture, which marks the RFU's 125th anniversary, will be supported by another Japanese rugby sponsor, Sanyo, for three years if the first one proves a success is an overt element of the new professionalism.

Leicester are hiring the ground and will pocket the proceeds unless, with the RFU projecting a crowd of up to 30,000, they are sufficient to disburse some of them to fellow-members of the First Division. The problem will come in selecting a world team worthy of the billing, given that the game - on Sunday, 21 April - takes place at the same time as the southern-hemisphere Super 12 provincial competition.

Though Lomu's province, Counties, will be involved in the Auckland set-up for the purposes of the series, an initial approach, doubtless offering to make it worth the All Black wing's while, has already been made. Otherwise, Leicester an-

ticipate that their opponents will comprise no more than two players from each country, including two Japanese.

Meanwhile Peter Wheeler, the Leicester chief executive, and his Cardiff equivalent, Gareth Davies, have met leading Scottish clubs to form a united front in the continuing fractiousness with their respective rugby unions. Next, Wheeler will meet representatives of the French clubs when he is in Paris for the England match at the weekend.

The Scottish clubs, led by Melrose, the champions, have called a special general meeting of the Scottish Rugby Union - at Murrayfield on 9 February - with a view to overturning the SRU decision to enter districts XV's in next season's European Cup. The clubs have already pulled off something of a coup by persuading Gavin Hastings, the recent Scotland captain, to present their case.

